

JPRS-CAR-93-043  
28 June 1993

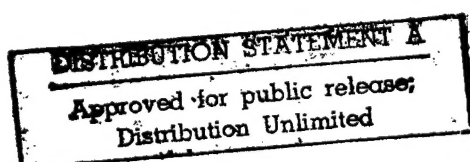


**FOREIGN  
BROADCAST  
INFORMATION  
SERVICE**

# ***JPRS Report***

# **China**

**DTIC QUALITY INSPECTED &**



**19980113 341**

REPRODUCED BY  
U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL INFORMATION SERVICE  
SPRINGFIELD, VA 22161

# China

JPRS-CAR-93-043

## CONTENTS

28 June 1993

### INTERNATIONAL

#### UNITED STATES

- Article Views Changes in U.S. Global Strategy [XIANDAI GUOJI GUANXI 20 Mar] ..... 1

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

- Improve Price System To Meet GATT Requirements [JIAGE YUEKAN 15 Mar] ..... 4

#### PROVINCIAL

- Profile of Qinghai Province Private Economy [QINGHAI RIBAO 19 Apr] ..... 9

#### FINANCE, BANKING

- Suggestions for Managing Foreign Banks [GUOJI SHANGBAO 17 Apr] ..... 12  
Potential Problems in Distorted Financial Markets [JINGJI CANKAO BAO 12 Apr] ..... 15  
Tax Regulatory Function in Market Economy [JINGJI RIBAO 9 Apr] ..... 17  
Bright Future Forecast for Insurance Industry [Hong Kong CHING-CHI TAO-PAO 26 Apr] ..... 19

#### POPULATION

- Use of B Ultrasound Prohibited [Hong Kong MINGPAO 22 Apr] ..... 21  
'Chengde Population Control Model' Praised [ZHONGGUO RENKOU BAO 15 Mar] ..... 22  
Major Obstacles to Ningxia's Family Planning Work [NINGXIA RIBAO 24 Apr] ..... 28

#### FOREIGN TRADE, INVESTMENT

- Article Analyzes Increasing Foreign Direct Investment [GUOJI MAOYI 15 Feb] ..... 29

#### ECONOMIC ZONES

- Li Youwei on Shenzhen Land Abuse, Corruption [SHENZHEN TEQU BAO 23 Apr] ..... 33

#### AGRICULTURE

- Sichuan Aims To Stabilize Cotton Production [SICHUAN RIBAO 17 Mar] ..... 36  
Production Figures of Agricultural Machinery [ZHONGGUO NONGJIHUA BAO 7 Apr] ..... 37  
Agricultural Banks Ensure Grain, Cotton Purchase Funds [NONGMIN RIBAO 22 Apr] ..... 37  
Arable Land Drastically Reduced Again [NONGMIN RIBAO 26 Apr] ..... 38  
Grain, Cotton Funds Slow To Reach Provinces [NONGMIN RIBAO 27 Apr] ..... 38  
Customs To Facilitate Agricultural Imports, Exports [NONGMIN RIBAO 23 Apr] ..... 39  
Nanjing Customs Department Improves Agricultural Trade  
[ZHONGGUO NONGJIHUA BAO 17 Apr] ..... 39  
State Farms Corporation Profits Show Large Increase [JINGJI RIBAO 23 Apr] ..... 40  
Peasants Worry About Entering Market Economy [NONGMING RIBAO 26 Apr] ..... 40  
Fairly High Grain Prices Foreseen for 1993 [JINGJI RIBAO 10 May] ..... 42  
Summer Grain Crop Prospects Good [JINGJI RIBAO 2 May] ..... 42

**SOCIAL**

Article Views Controversial Writer Xu Gang .....	44
Xu Gang's Return to China [Hong Kong MING PAO YUE-KAN Apr] .....	44
Review of 'Dream in Paris' [Hong Kong KAIFANG 18 Apr] .....	45
Further on 'Dream in Paris' [Hong Kong KAIFANG 18 Apr] .....	46
'Dream in Paris,' Part I [Hong Kong KAIFANG 18 Apr] .....	47

## UNITED STATES

### Article Views Changes in U.S. Global Strategy

93CM0264A Beijing XIANDAI GUOJI GUANXI  
[CONTEMPORARY INTERNATIONAL RELATIONS]  
in Chinese No 41, 20 Mar 93 pp 31-35

[Article by Huang Hong (7808 5725): "Inherent Contradictions in the Readjustment of U.S. Global Strategy and Elements of a Restraining Effect on Such"]

[Excerpt] [Passage omitted] 3. Conflict between efforts to maintain U.S. world leadership and the internal "new isolationist" tendencies.

After the Gulf war, a great controversy has arisen inside the United States, as to whether the United States should revert to isolationism or continue its pursuit of a policy of global involvement. William Hyland, editor in chief of FOREIGN AFFAIRS, a highly influential publication which in the past had eagerly advocated the "Atlantic doctrine" and isolationism, was first in pointing out in his article in THE NEW YORK TIMES that victory in the Cold War will have the United States in the coming ten years shift its thinking, attention, and financial support away from foreign countries and to the domestic scene of the United States itself. He frankly stated: "The enemy is no more at our door, but quite possibly already inside the house." Peter Peterson, chairman of the U.S. Foreign Relations Committee, also mentioned in a report, which had been endorsed by many foreign affairs experts from both parties, that the domestic problems of the United States "are exercising a direct effect that is more powerful than any threat from a foreign source." He suggested that the United States give priority to its domestic agenda. In this discussion, Patrick Buchanan, director of President Reagan's Foreign Relations Liaison Office and now a TV commentator, even more systematically advocated this new isolationism and became its leading representative. He believed: "Our Cold War is over, so let it now be the time for America to come home"; his call was for "America first" in all affairs. These circumstances clearly reveal that the "new isolationism," i.e. the primary concern of the American people for domestic affairs, is outweighing their concern for international affairs, is enjoying widest popularity, and is very deeply founded.

Can Clinton's assumption of the presidency mean that the United States might possibly give up its policy of global involvement? Exactly the opposite is true. Clinton assailed the foreign policy of the Bush administration exactly for its lack of sufficient involvement. In several of his speeches on foreign policy and in the policy program of the Democratic Party during the election campaign, Clinton's foreign policy idea has been systematically expounded, namely the idea of the so-called "new strategy of U.S. involvement." His diplomatic advisers speak of Clinton as a "staunch internationalist," to indicate that they will have the United States play a leadership role, as fitting for the "post-cold war"

period, that they will intensify propagation of U.S. ideologies, and that they will promote "democracy." Compared with the conduct of diplomacy under the Bush administration, Clinton's diplomatic strategy of "new interventionism" is showing the following new characteristics:

First, he believes it to be necessary to renew the nation's security concept. He believes that at this juncture of historical changes, Bush's proposals for a mere reduction of the scope of military strength from the way it had existed during the cold war, cannot meet the demands of the overall situation. There is, he believes, a need to readjust the very structure of U.S. military strength, and believes, furthermore, that the core of national strength must be regaining U.S. leadership in the international economy. At the same time, promotion of "democracy," protection of the global environment, military affairs, and the economy must altogether be made to constitute the four large aspects of national security. He publicly proclaimed that the United States is bound to concern itself with the ways in which other peoples administer their countries, thus making his shade of ideological interference more poignant than that of the Bush administration.

Second, he emphasized that he will conduct "protectionist diplomacy," suggesting that he will intervene as early as possible to resolve any problem in its infancy, and he asserted that he would use military force in a decisive manner, if necessary to protect U.S. interests. Of course, the "new interventionism" advocated by Clinton is in one point different from the old interventionism, namely in that Clinton proposes to achieve his interventionist objectives effectively and much more often through the United Nations. For this purpose he proposed the establishment of a UN rapid deployment force.

Third, to regain U.S. leadership in the world economy, he makes the economy part of his diplomatic policy and integrates international economic interference with political interference, and will thus actively participate in the expansion of the international trade system. The diplomatic strategy of Clinton's new interventionism evidently runs counter to the "new isolationist" tendencies which are rapidly on the rise throughout the United States. If it is said that the rise of this ideological trend caused Bush to lose the glory that he would have deserved for victories in the cold war and in the Gulf war, the victor in fact becoming a loser, then the "new strategy of U.S. involvement" advocated by Clinton will certainly also come up against strong forces of resistance. There will, of necessity, be clashes with the domestic "new isolationist" trend, and there will also of necessity be more and more resistance.

4. The continuously intensifying contradiction between U.S. efforts to export American-style democracy and the serious socioeconomic problems facing the United States internally, and also the resistance against foreign interference that will be felt in the developing countries.



During its election campaign, the Democratic Party again and again proclaimed that it will export to the whole world the American value concepts and also export a "democracy" that conforms with the ideals and interests of the United States. In testimony on foreign policy before Congress, Christopher further clarified that "promoting the spread of democracy abroad and market expansion" will be the "pillars" in the formation of foreign policy. He declared that "our new diplomacy will encourage the global democratic revolution which is in the process of reshaping our world," and also that "the support of democracy and human rights abroad can and must be central strategic principle in the improvement of our own security." International opinion has it that the foreign policy under the rule of the Democratic Party will be more expansionist in matters of ideology, and that the United States will pursue power politics with even greater zeal under the banner of promoting democracy and protecting human rights. Among the team in charge of foreign affairs in the new Clinton government, there are not only some who have participated in and supported the human rights foreign policy of the Carter administration, but we also find enlisted certain personalities of the so-called "new conservatism faction" of the Republican Party, who are zealous proponents of human rights and who had been critical of the Bush administration. Judging by the many speeches and statements by Clinton and his team, the new U.S. Government will intensify its human rights interventions in the following ways:

First, it will use the policy of the carrot and the big stick to entice and pressure others to fall in line with its wishes, using such economic levers as trade, economic and security aid, and the reduction or remission of debts. Clinton has already made it clear that he will use such foreign aid that the United States had formerly extended to Africa, the Caribbean Islands, Latin America, and other developing countries to support "democratic government systems."

Second, he wants to organize a "Democracy Corps," similar to the "Peace Corps," recruiting volunteers to go abroad to propagate American-style democracy and Western value concepts. Christopher furthermore "supports the establishment of a Free Asia broadcasting station," to exert influence in the countries of Asia, and he declared, "our policy will be to induce a broad, peaceful transformation in China from the communist to a democratic system by the method of encouraging forces for economic and political freedom to emerge in that great and extremely important country."

Third, he wants to energetically assist the newly formed "democratic government systems" in the territories of the former Soviet Union and in Eastern Europe, in order to consolidate the victory won by the United States in the cold war. Clinton considers assistance to the countries of the former Soviet Union in their efforts to establish "free political and economic mechanisms" as one of the most serious challenges that the United States faces with respect to its own security. The Clinton administration has also made some specific arrangements and arrived at some ideas as to how to support the

European Security Organization, intervene in the fighting in Bosnia-Herzegovina, and to intensify human rights interferences in Asia, Africa, Latin America, and in the Middle East, in order to establish an international order that would conform to the very own interests of the United States.

There is no shortage of criticism in the United States and abroad of Clinton's policy of human rights interferences. It is generally believed that Clinton's speeches during the election campaign and his speeches after coming to power are too full of "party struggle" elements to win over the electorate. There is also the fact that the huge economic difficulties and social problems the United States is facing will naturally have a restraining effect, forcing the United States to give consideration to the possibility that its own policy of human rights interferences will, as a matter of course, meet with general resistance in the developing countries, and may quite possibly have a negative effect on the own interests of the United States. Indonesia's President Suharto said on 26 January at the Second Conference on Human Rights Problems in the Asia-Pacific Region: "The developed countries must not use economic aid as a means of pressuring other countries to improve their human rights conditions." He also pointed out: "At a time when we still can see violations of human rights in the developed countries, the above-mentioned pressures are really somewhat of a satire." The repeated racial conflicts continuously raises the crime rate in the United States, while the polarization of the American people is growing more serious by the day; unemployment refuses to go down, domestic social problems are accumulating without any remedy in sight, and the dark cloud of the Los Angeles riots still hovers over the minds of all the peoples of the world; it has not yet dispersed. For the United States to assume the role of the world's policeman is therefore really not a picture that will be generally appreciated; it must, quite naturally, evoke ridicule and resentment all over the world. As to the relations between China and the United States, pressures in the human rights issue will disrupt the normal development of economic relations between the two countries. The total amount of bilateral trade between China and the United States is now as high as \$30 billion, and U.S. entrepreneurs have invested as much as \$5.5 billion in China in over 2,300 projects. Especially because of the booming Chinese economy and its highest economic growth rate in the world, U.S. entrepreneurs give more and more attention to the large market of China. Some famous international strategy experts have pointed out in their writings that making an enemy of China by pressuring it on questions of human rights is not in the long-term interests of the United States. A research team set up jointly by the U.S. Atlantic Committee and the U.S.-China Relations Committee recently submitted a report on U.S. policy toward China to the new Clinton government, suggesting that they not impose conditions on the trade status and that they oppose a "Free Asia

radio station," which would treat China as an "enemy." Chairpersons of this study team have been the former deputy secretary of state John Whitehead, and former president of the World Bank Barber B. Conable, and among the 74 members participating in the team there is former secretary of state Edmund Muskey and former secretary of defense Harold Brown, also former ambassador to China Leonard Woodcock and former member of the House of Representatives, John Buchanan. It shows that there are many voices among Americans in and outside of the government in favor of developing U.S.-China relations and opposing any retrogression to occur in the relationship of these two countries. These voices are bound to have an impact on the way Clinton will conduct his diplomatic policy.

5. In the overall view, the most fundamental contradiction is that the strength of the United States, which has considerably declined, is inadequate for the objectives which the United States intends to achieve.

There are indeed some other contradictions which may be mentioned as inherent in the readjustment of the global strategy of the United States, such as dismantling of the U.S. military strength while the United States is assuming military responsibilities throughout the world, contradictions between U.S. leadership in international environmental protection while they are being condemned by world opinion for their reckless waste of the world's natural resources and for contaminating the ecological environment, etc. However, in the overall view, the most fundamental of these contradictions is really showing up in the relatively weakened position of strength of the United States and its reluctance to give us "world leadership," thus constituting a contradiction of inadequate strength and intended objectives. At the end of the 1940's and in the early 1950's, the share of the United States in total world production was as high as somewhat over 40 percent, and its total industrial output accounted for 60 percent of the total industrial output of the world, while it also held somewhat over 70 percent of the total gold reserves of the capitalist world. However, since the 1970's, and especially since the 1980's, U.S. economic strength gradually declined. In 1976, the United States had for the first time a budget deficit and turned from a country with a trade surplus into a country

with a trade deficit. In the 1980's, the United States sank from the position of the world's major creditor nation to the world's largest debtor nation. The share of the United States in total world production had declined to about 20 percent. The Gulf war fully revealed the U.S. predicament of possessing inadequate strength to carry out its desired objective; without dragging and pressuring its allies to contribute somewhat over \$50 billion, the Armed Forces of the United States, we are afraid, would not have been able to proceed to the Gulf.

The Clinton administration, just as the Bush administration, had hoped that after some partial retrenchments it would still be able to revitalize U.S. strength, to maintain its dominant position in international affairs, and to have these endeavors become effective objectives of its strategy. In his inaugural speech, Clinton emphasized: "The United States will not retreat in the face of the challenges of the new world," and declared, "when-ever our major interests are challenged, we will, if necessary, use military force." His strategic alternatives were clearly expansionist and aggressive. Very obviously, implementation of this strategy involves considerable risks. It can undo the international geopolitical balance of power established during the cold war, introduce new elements of instability, and will unavoidably result in increased trade friction between the United States and its allies on the one side and all other countries on the other side, and possibly further aggravate its conflicts with a large number of the developing countries. Henry Kissinger, a former U.S. secretary of state, published an article entitled "Clinton and the World" in the 1 February 1993 issue of *NEWSWEEK*, in which he pointed out: "President Clinton seems to believe that the United States should focus on affairs at home, and that she should promote democracy when she ventures abroad. ... His challenge as president will be to understand that, for the first time in her history, America now finds herself in a world which she cannot dominate, but from which she also cannot simply withdraw." Kissinger tells Clinton that he "must steer a path between world domination and protection of U.S. interests." This truly is a dilemma; it is indeed the condition and the prospect for the readjustment of the global strategy of the United States.

## NATIONAL AFFAIRS, POLICY

## Improve Price System To Meet GATT Requirements

93CE0508A Nanchang JIAGE YUEKAN [PRICING MONTHLY] in Chinese No 3, 15 Mar 93 pp 21-24

[Article by Ma Song (7456 2646): "Relationship Between GATT, Domestic Prices"]

[Text] Pricing is one of the points at issue for signatories to GATT. GATT regulations regarding the matter of pricing include Article 6, "Anti-Dumping Taxes and Anti-Subsidy Taxes"; article 16, "Subsidies"; and some others such as Article 3, "National Treatment"; Article 5, "Open Borders"; Article 8, "Stipulated Fees and Export and Import Procedures"; and Article 17, "State-Run Trade Enterprises." The important points of these regulations are:

1. Exports shall not be priced for dumping; there are four standard measures for dumping: 1) Export prices shall not be lower than domestic sales prices; 2) export prices to a certain country shall not be lower than exports to a third country; 3) export prices shall not be lower than domestic production and sales costs plus profit; 4) when exports of vertically integrated enterprises hide subsidies, the standard measure shall be the sales price to the first independent enterprise after importing.

2. Export subsidies are not allowed. Subsidies of the kind which permit exports to increase and restrict imports are not allowed. However, GATT does not oppose subsidies in general: one, where both domestic and foreign sales are subsidized; two, such subsidies must not harm the interests of other countries. Nevertheless, it opposes direct government export subsidies (for example, directly subsidizing foreign trade enterprises, giving them retained foreign exchange profits or bonuses, or providing preferential, lower than cost transport, credit or insurance). If primary industries are subsidized, GATT requires: one, export prices shall not be greatly lower than export prices of other supplying countries; two, that country's world market share of that export product must not be unreasonable. Developing countries are permitted to subsidize nonprimary products, provided they do not harm the trade and production of other countries.

3. Regarding domestic stipulated fees and costs, discriminatory fees for non-nationals and dual pricing for domestic products and imports is not allowed. Examples include different fees by country for transport and harbor use.

Based on the aforementioned regulations, in all previous meetings of the GATT China Working Group, signatories proposed several hundred pricing questions to be clarified. The essentials can be summarized as follows:

1. The current state of China's pricing and control systems. For example, will providing a list of state fixed price products according to customs tariff numbers

answer whether they are subsidized? What is the procedure for state price fixing and its influence on imports and exports?

2. Aims of China's price reforms, timetable for completion. How will the state control prices under a market economy? A timetable for abolishing the dual pricing system.

3. China's import and export price reforms. What is the timetable for abolishing import price subsidies? Do local governments have control over import prices? Is there a division by country of import prices? How are export prices reformed? Do export commodities have hidden subsidies via state price fixing? What is the timetable for abolishing export commodity price fixing by the state? What guarantee is there that state fixed price export commodities will not be dumped?

4. Are there still stipulated service fees and charges for non-nationals? Proportion of state fixed prices.

Some countries worry that China's state fixed prices may assault international trade. They ask for written "special guarantee articles" in agreements with China, such that each signatory can unilaterally abolish custom tax reductions and promised numerical restrictions for China. This is a discriminatory request which is contrary to the principles of GATT since Article 19, "guarantees," already protects the interests of each country. There is no need to add "special guarantees" for China alone. Furthermore, some countries also ask for annual investigations of China's pricing system. They want pricing reform progress reports, weighted average prices on production factor inputs of exported commodities, plus having state fixed and directed prices as low as possible.

China's pricing reform has been a great success. There is no big disparity between our present price control system and GATT requirements. In other words, they basically coincide.

Market mechanisms gradually have been introduced to China's pricing reform over 14 years. Market-generated price mechanisms are in place. Most commodity prices and service fees have been liberalized, fundamentally altering the highly centralized price control system. By the end of 1992, among 37 fixed price products set by relevant departments of the State Council (see Table 1), six were of agricultural products, 29 of production materials, and two of industrial consumer goods. The proportion of state fixed prices on the three types has fallen continuously (see Table 2). By the end of 1992, the state fixed price shares for retail prices, agricultural product procurement prices, and industrial production materials were 10 percent, 15 percent, and 20 percent, respectively. In 1993 the shares will be reduced further below some market economy countries.

Regarding imported commodities, 95 percent now have representative prices. The state still fixes prices on eight types of grain and chemical fertilizers which are under

plan and have high foreign and low domestic prices. There still are fiscal subsidies for domestic and foreign price differences. Subsidies aim to stabilize imported consumer grain sales prices in coastal industrial cities and agricultural production materials prices. This is beneficial to foreign businessmen entering the Chinese market. Regarding domestic procurement prices of export commodities, since 1980 bilateral price negotiations between suppliers and demanders have been allowed because of differences in terms of quality, specifications, packaging, and delivery time limits between export commodities and products sold domestically. By the end of 1992, 90 percent of export commodities were procured at market prices.

There also has been important progress in the marketization of China's production factor prices. Most raw material prices have been or will be gradually liberalized. For example, most steel, nonferrous metal, and industrial chemical prices have been liberalized. The market price share of cotton prices will gradually increase until they are liberalized entirely. Regarding coal as an energy resource, at present the state only controls a small part of coal for unified distribution. Most coal prices have been liberalized. Regarding crude oil prices which are monopolized, although the state continues to fix prices, negotiated prices gradually are being used together with original prices. Electric power prices also are monopolized. The state only controls live wire sales prices. Foreign power plant investors are allowed to negotiate on electricity prices for the plant and live wires, although in general prices are set once a year, fluctuating according to fuel price increases. Besides the price of material and goods factors of production, there also has been progress in the marketization of land, capital, and labor prices. For example, there has been a change from no compensation to compensation for land use. At the outset land use fees were collected from "three types of investment" enterprises. Now prices are liberalized, and there are negotiations, auctions, and bid sales, transfers and repeated transfers. To prevent price cutting, the state will stipulate base standard land prices. Interest is the price of capital. The capital market has developed. Financing takes the form of foreign-invested banks, cooperative financial organizations, bonds, stocks, and banks within enterprises. Interest is liberalized.

Central government bank interest is the same as that of market economy countries. The state controls it based on macroeconomic regulation and control requirements. Industry bank interest gradually will be liberalized. Regarding the wage system, the situation whereby the whole country was unified under plan has been destroyed. Wages in nonstate-owned enterprises commonly are quite high. Since implementing contracts and linking distribution to benefits, state-owned enterprises have widened gaps in distribution. The share of bonuses, subsidies, and social welfare benefits outside unified wage standards often exceeds wage standards. Differing distribution compels labor to circulate. In sum, the marketization of production factor prices will better

arrange production factors and make the factor market grow, spurring on factor price reform.

An issue of concern to all signatories is the timetable for basic completion of price reform. Although there have been great changes in China's price control system, market growth still is imperfect. A number of important commodity prices and service fees await further liberalization. The production factor market is just growing. Some commodity prices fluctuate greatly. Effective regulation and control measures await improvement and the price structure awaits further readjustment. According to the party's 14th Plenum which established the need for a socialist market economy, the pace of price reform will be accelerated as parties can bear it, further making price relationships smooth. In approximately the next three years' time, pricing mechanisms in which the market mainly sets prices will be created and perfected. Overall control will ensure basic stability of overall levels of materials prices. Establishing mainly economic and legal and secondarily administrative price control measures, plus readjusting prices of some commodity prices and service fees of monopolies which greatly affect economic development and the livelihood of the people makes for a better arrangement of social resources and an increasingly rational price structure.

China's "entry" to GATT is a question of time. Departments, regions, and enterprise units pay close attention to the matter, organizing forces, conjecturing as to effects, studying countermeasures and formulating plans. The effect of "entry" upon prices mainly concerns price levels. For a long time, except for a few commodities, the domestic dual price system basically is out of joint. Some price levels still differ greatly. In the past we relied on customs levels and other measures to coordinate contradictions between domestic and foreign pricing systems. "Entry" will weaken various isolationist and protectionist measures between customs tariffs and noncustoms tariffs. Predictably, "entry" will assault the domestic pricing system. For example, regarding pricing levels, lower customs tariffs and a reformed domestic price system will force price levels down. Reforming the dual RMB-foreign exchange system will make domestic price levels rise, and there will be new readjustments in the price structure. Certain rather high or low domestic commodity prices gradually will approach international market prices. For example, higher prices of new consumer goods may fall while prices of daily necessities may not fluctuate much. Price levels of production materials may rise. Rather high priced electromechanical product prices may fall, parity priced basic raw materials and energy resource prices may further approximate international price levels, or be used together with negotiated prices, meaning higher price levels. Service fees may increase greatly in line with the need to develop international service trades and China's growing tertiary industries.

Comparing domestic and foreign prices, certain Chinese agricultural products, raw materials, and processed product prices are far higher than international market



prices. If we consider linking them to quality and greatly lower customs taxes, then high domestic commodity prices will rise even more. Under present customs tariff conditions, there are some domestically high-priced, foreign low-priced commodities; mainly agricultural products, including vegetable oil, wheat, wool, granulated sugar; industrial consumer products, including electrical appliances, chemical fibers, and plastic; industrial production materials, including nonferrous metals, steel, minivans, and some chemical industry raw materials (see Table 3). Obviously, the aforementioned products have no price competitiveness on the international market.

It is necessary to adopt some comprehensive countermeasures and pricing strategies to alleviate "entry's" tremendous attack on domestic prices, improve the competitiveness of Chinese products on the international market, and win more exports.

1. Comprehensive countermeasures. 1) Greatly lower customs tariffs in the direction of the average level of developing countries, but it must be done gradually, moderately and differentiate industries both to compel faster development of China's foreign trade and be appropriate to the level at which domestic industries can accept it. 2) GATT's preferential principles for developing countries must be used for certain industries, adopting selective guarantee and protective provisions to protect backward agriculture and key important nascent industries which need it. 3) Import technology and increase inputs from backward industries, mainly by subsidizing production links, making them gradually advance and become viable internationally competitive industries. 4) Organize specialized cooperatives and group industries, break down closed localized economies, create economies of scale and improve scale returns. 5) Turn the domestic commodity tax into an added value tax, reform high tax policies, gradually reduce added value tax rates which are too high, and improve the price competitiveness of commodities. 6) Determinedly abolish arbitrary fees, fund accumulation, and apportioning of various types and aims. Reduce burdens on enterprises and peasants. Create macroeconomic conditions for lowering commodity prices. 7) Reform the dual RMB exchange rate and foreign exchange distribution system. Similar to lowering customs tariff rates, reforming the exchange rate system must be both beneficial to promoting China's foreign trade and consider domestic prices, macroeconomic regulatory and control needs, and the ability to repay

principal plus interest. Therefore there must be additional chosen places and times for dual use.

2. Accelerate and deepen the pace of price reform. GATT requires prices be set by the market. This is consistent with the spirit of the party's 14th Plenum to keep down to the lowest number of state fixed price commodities and service items. To welcome the assault of "entry," pricing departments' countermeasures are: 1) Speed up price reform related to import and export commodities. Regarding imports, one, gradually abolish the eight import commodity price subsidies (as of 1993, only five remain); two, liberalize independent import commodity prices; three, control circulation costs in state-run foreign trade. Regarding exports, one, promote an export agent system; two, liberalize foreign trade enterprise export commodity supply prices. 2) Accelerate reform of production factor prices, promote their circulation and growth of a factor market, in particular speeding up reform of export commodity production factor input prices. 3) Accelerate tertiary industry price reform. There is a need to accelerate China's tertiary industries, develop foreign service trades and join international service trade competition. According to the GATT principle for national treatment, clarify and readjust various service fees. 4) Introduce effective price setting policies and principles of market economy countries beneficial to developing market competition, reforming suited to international competition and the needs of a market economy. Incorrect pricing methods and principles often cause tremendous waste of social resources. The notion of only considering domestic costs and market demand must be changed. For example, gold jewelry prices must be connected to the rise and fall of international gold prices to avoid high domestic prices and a great outflow of foreign exchange. Medical equipment prices can be set based on marginal rather than average cost to enhance better equipment utilization rates and guard against blind duplicate imports. 5) Refer to the international practices of market economy countries. Set up and perfect China's socialist market economy national price macroeconomic control and regulation system. Ensure the basic stability of overall material prices. Establish mainly economic and legal regulatory and control measures. 6) Augment study of pricing decisions by enterprises, particularly large- and medium-sized ones. Strengthen price controls within enterprises and have better gathering and collating of pricing information, and advanced domestic and foreign pricing methods and principles. Establish pricing files. Train pricing personnel. Only by mobilizing enterprises, looking for loopholes, and formulating measures can we take a firm stand in international competition.

Table 1. List of State Fixed Price Commodities (According to Annual Tax Code)

	Customs Tariff Number		Numerical Order	Commodity Name		Notes
10.01	1001	1000	1	Grain	Wheat	State purchase order portion
10.05	1005	1000			Corn	State purchase order portion
		9000				
10.06	1006	1000			Rice	State purchase order portion
12.01	1201	0000			Soy-beans	State purchase order portion
52.01	5201	0000	2	Cotton		
24.01	2401	1010	3	Tobacco		
		2010				
50.01	5001	0000	4	Silkworm cocoons		
09.02	0902	3090	5	Tea bricks		
44.03	4403	2000	6	Wood		State controlled portion
27.01	2701	2000	7	Raw coal		Some state controlled coal
			8	Washed coal		
			9	Mixed coal		
			10	Lump coal		
			11	Coal dust		
27.16	2716	0000	12	Electricity		
			13	Thermal power		
27.09	2709	0000	14	Crude oil		
27.11	2711	2100	15	Natural gas		
		1200	16	Refinery gas		
		1100	17	Liquid gas		
27.10	2710	0011	18	Gas		
		0012	19	Kerosene		
		0031	20	Diesel oil		
		0032				
		0040	21	Heavy oil		
		0013	22	Naptha oil		
27.07	2707	3000	23	Dimethylbenzene		
31.02	3102	2100	24	Urea		
		3000	25	Ammonium Nitrate		
31.05	3105	2000	26	Compound fertilizer		
26.01	2601	1100	27	Iron ore		
72.06	7206	1000	28	Steel ingots		
72.18	7218	1000	29	Molded steel		
			30	Tubular steel		
72.08			31	Steel sheet		
72.12						
72.19						
72.20			32	Steel for railroad use		
87.03	8703	2311	33	Minivans		
		2411				
		3211				
32.03			34	Civilian dynamite		

Table 1. List of State Fixed Price Commodities (According to Annual Tax Code) (Continued)

	Customs Tariff Number		Numerical Order	Commodity Name		Notes
25.01	2501	0010	35	Salt		
30.02			36	Some pharmaceuticals		Chemical, biological pharmaceuticals, biological products
30.06						Contraceptives, veterinary pharmaceuticals
30.14						
39.37			37			

Table 2. Percentage Share Changes in Three Kinds of Pricing

	State Fixed Prices		State Directed Prices		Market Regulated Prices	
	1978	1991	1978	1991	1978	1991
Percentage share of gross social commodity retail sales	97	20.9	—	10.3	3	68.8
Percentage share of industrial product material exit factory prices	100	36	—	18.3	—	45.7
Percentage share of agricultural product procurement prices	94.4	22.2	—	20	5.6	57.8

Table 3. Domestic and Foreign Price Comparison of Some Imported Commodities

Product Name	Unit	Import Price	Domestic Price	Domestic versus Foreign Price Comparison	
Vegetable oil	Yuan/ton	3079	4400	1320	Rapeseed prices for domestic portion
Wheat	Yuan/ton	820	860	40	
Wool	Yuan/ton	24,750	18,500	-6,250	More washed wool imported, of higher quality
Granulated sugar	Yuan/ton	1,562	2,500	938	
21" Color TV's	Yuan/unit	3,000	2,300	-700	
Cut polyester	Yuan/ton	7,200	7,500	300	
Short polyester chemical fibers	Yuan/ton	9,000	9,000	—	
Short acrylic chemical fibers	Yuan/ton	13,000	14,000	1000	
Low pressure polyethylene	Yuan/ton	5,039	6,300	1,261	
Methanol	Yuan/ton	800	1,600	800	
Ethanol	Yuan/ton	2,917	4,400	1,483	
Octane Alcohol	Yuan/ton	2,808	5,400	2,592	
Phenol	Yuan/ton	4,280	5,000	720	
Acetone	Yuan/ton	3,267	4,500	1,233	
Natural rubber	Yuan/ton	6,120	7,536	1,416	
Copper	Yuan/ton	17,000	22,000	5,000	
Aluminium	Yuan/ton	9,248	13,400	4,152	
Nickel	Yuan/ton	50,320	76,000	25,680	
No.90 Gasoline	Yuan/ton	1,600	1,600-1,700	100	
Santana sedans	US\$/unit	10,800	20,500	9,700	
Peugot sedans	US\$/unit	16,600	22,700	6,100	
Audi sedans	US\$/unit	28,500	41,900	13,400	
Qienuo JI Sedans	US\$/unit	16,600	20,200	3,600	
Xiali sedans	US\$/unit	6,500	13,600	7,100	

## PROVINCIAL

### Profile of Qinghai Province Private Economy

93CE0521B Xining QINGHAI RIBAO in Chinese  
19 Apr 93 pp 1, 2

[Article by the survey team, Political Research Center, Qinghai Provincial CPC Committee: "Survey of Development of Individual, Private Economies in Qinghai Province"]

[Text] Developing the individual and private economies is an important aspect in the adjustment of Qinghai's ownership structure, and is also an important component part of the vigorous development of Qinghai's economy. Recently we organized our forces to make a special-topic survey of this matter. The survey respectively selected Xining, Haidong, and Hainan as representatives of cities, agricultural areas, and animal husbandry areas; and separately held informal discussions with the provincial Industry and Commerce Administrative Bureau and Tax Bureau, the provincial People's Bank, and the relevant departments of autonomous prefectures and cities on problems reported and discussed in the survey, and, on this basis, formed some views and opinions.

#### I. Development of Individual, Private Economies Plays Irreplaceable Role in Promoting Qinghai's Economic Prosperity

Since the Third Plenary Session of the 11th CPC Central Committee, because of the thorough implementation of the policy of opening up to the outside world and of invigorating the domestic economy, the enthusiasm of the masses for developing the individual and private economies has been aroused. They practice self-reliance, seek their own profession, run factories, open stores, and engage in transportation and in all sorts of business activities, thereby playing an irreplaceable role in promoting Qinghai's economic prosperity.

A) Financial income has increased. In Qinghai in 1992, 57.28 million in taxes were paid by the individual and private economies, accounting for 7.92 percent of the province's industrial and commercial tax revenues and 7 percent of the province's financial income. Of the three parts—autonomous zhou, prefecture, and city—in an on-the-spot survey in 1992, Haidong Prefecture's individual and private economies paid 12.58 million in taxes, accounting for 9.4 percent of its financial income; Hainan Autonomous Zhou, 4.22 million yuan, accounting for 13 percent of its financial income; and Xining City, 23.01 million yuan, accounting for 7.15 percent of its financial income. In Datong City, where the individual and private economies were developed fairly fast, in 1991 the tax revenue from state-run and collective industrial and commercial enterprises was 3.7 million yuan, and the tax paid by the individual and private enterprises amounted to 2.31 million yuan, equal to 70 percent of the former, and the two sectors each did its part.

B) Labor employment has expanded. With flexible forms of making use of workers, the province's individual and private economies absorb the idle personnel in cities and the surplus labor force in rural areas. By the end of 1992, the individual and commercial households had engaged 69,903 personnel and private enterprises had taken in 7,743 workers, thereby relieving, to a certain extent, the pressure caused by difficulty in obtaining employment.

C) The pace of getting out of poverty and becoming well-off has accelerated. According to the survey, the annual average net income in the number of peasants and herdsmen engaged in the individual economy in the rural animal husbandry areas was about 800 yuan, higher than the net income of other peasants and herdsmen in the same areas. The average income of employers and employees in the urban individual and private economies is higher than that of the urban residents, and many people have become well-to-do householders. Private entrepreneur Bai Jingbo [4101 7234 3134], of the Chuan-kou Dairy Products Plant in Minhe County, in 1986 started his own small powdered milk plant, and in the short period of a few years he became a wealthy and influential man with fixed assets of several hundreds of thousands of yuan. After becoming wealthy he started a feed-processing plant, and helped the people of Chuan-kou Prefecture to develop cattle raising, thereby enabling some poor peasants to get out of poverty and become well-to-do by raising milch cows.

D) The prosperity of urban and rural markets has been promoted, thereby making the people's life more convenient. By the end of 1992, 266 county fair markets of various kinds had been formed in the province's urban and rural areas, and more than 80 percent of the individual industrial and commercial households were engaged in business activities on these markets, playing the role of making good omissions and deficiencies, thereby invigorating the markets and making the people's life rich and convenient.

#### II. Difficult Points and Problems in Development of Individual and Private Economies

As the "two small economies" in the total number of national economies, the individual and private economies, in the coastal and interior developed provinces, assume a powerfully developed posture, but Qinghai's development is slow and its disparities are very large. The main manifestations of this situation are:

A) First, the province got started late and there is less quantity. After the Third Plenary Session of the 11th CPC Central Committee, the party and the state permitted the development of the individual and private economies. This policy decision caused a big stir in the coastal and interior areas, and the individual and private economies sprang up vigorously like bamboo shoots after a spring rain. Qinghai has gone through a very long process of wait-and-see, start-up development. Taking Haidong as an example, by the end of 1980 there were in



it 14,621 individual households employing 28,665 persons, and their annual volume of business was 94.5 million yuan; of them a considerable part was householders who had come from outside the province. For seven or eight years afterward, the prefecture was in an extremely slow process of development. By 1988 the number of industrial and commercial households in the prefecture had increased to only 21,722; they employed 39,873 persons and did an annual volume of business of 155.56 million yuan. Although this was a big stride compared to 1980, in comparison with the rate of development in China as a whole, it lagged far behind. Furthermore, the situation in other prefectures in the province is not as good as Haidong's. At the end of 1992, 48,676 individual industrial and commercial households were registered in the prefecture, only 0.26 percent of the total number in Qinghai; they employed 69,903 persons, only 1.5 percent of the province's total population. The development of private enterprises was also slow: by the end of 1992 only 356 of them had been registered in the province.

Second, the scale is small and the level low. The funds registered by individual industrial and commercial households in the province amount to 198.91 million yuan, an average of 44,086 yuan per household and 70 percent of the average in the country as a whole; their volume of business is 882.52 million yuan, a per household average of a little over 10,000 yuan and only 65 percent of the average in the country as a whole; their annual total output value is 207.46 million yuan, a per household average of 4,600 yuan, which far lower than the per household average of 20,000 yuan for the country as a whole. The private enterprises employ 7,743 persons, a per household average of 22, and their registered funds amount to 66.43 million yuan, a per household average of 186,000 yuan.

Third, the structure is single and the business scope narrow. Of the province's individual industrial and commercial households, 23,311 are individual commercial households, half the number of the former; and the repairing trade and service trade, which the masses need, respectively only account for 2,456 and 2,845 households. This single structure, on the one hand, makes it difficult to do business and, on the other hand, restricts the effect of strengthening the province's economic forces.

In the survey the managers of the individual and private economies expressed heartfelt gratitude for the party's and government's policy of enriching the people. At the same time they spoke of many difficulties:

A) It is difficult to start a business. One difficulty is that before you can get a business license you must get several permits, and must run hither and thither to get them. For the people in a given place the OK is given; people from the outside who come in for the first time find the people in this place and the place itself unfamiliar, and the procedures involved in getting these permits chills their hearts. The second difficulty is funds. If there are few

registered funds it is impossible to do business; if there are many registered funds there is no place to put the money and loan guarantors cannot be found. The third difficulty is the business site. Because the building of Qinghai's markets cannot keep pace, it is extremely difficult for an industrial or commercial household to find a fairly ideal economic site.

B) Discrimination. There still exists to a serious extent the common prejudice that "the individual is not as good as the collective, and the collective is not as good as the state-run." No matter where the individual household does its work it cannot do so smoothly, and it is bullied and fleeced. As for getting donations and support, these should be voluntary actions, but for the individual household they have become rigid apportionments.

C) There are many "mothers-in-law." The individual and private economies are mainly market-regulated and do not have any department in charge of them. This should be a good thing, but they feel that they lack protection: any department whatsoever can intervene in their activities and act as their "mother-in-law." They can only suppress their rage at irrational intervention. They say that, for them, dealing with so many false "mothers-in-law" is not as good as having one true "mother-in-law."

D) Taxes and expenses are heavy. The quotas for tax collection go up every year, and the size of the increase exceeds the size of the rise in business volume. There are all sorts of expenses, but they are not clear about which ones should be collected; in any case the person collecting them must have a basis or red-lined document. Some of the expenses are governed by local or departmental "homemade policies."

E) Control is arbitrary. Unlicensed businesses gain small advantages by unfair means, and licensed businesses suffer big losses. Unlicensed businesses can evade taxes, and licensed businesses cannot get relief from all sorts of taxes and expenses. They say that if the government does not rectify the unlicensed businesses, the licensed businesses will avail themselves of loopholes or exchange licenses and become "guerrillas." The individual households complain loudly that taxation is heavy and fees are numerous. Articles in the press agree, but the tax departments feel wronged. They say that the lawful collection of taxes is their responsibility and that the collection of the annual quota is their task. The state has stipulated that the total tax rate on individual industrial and commercial households must not exceed 5.5 percent, and Qinghai's current tax rate cannot exceed the rate set by the state. If taxes are reduced or remitted, the task of tax collection will not be completed. The individual and private entrepreneurs complain loudly that it is difficult to start a business, but the industrial and commercial departments maintain that this is not so, because they have already expanded the scope of business and simplified the operating procedures. If it is said that there are difficulties with regard to funds, the comrades in banks

also have have their own difficulties. When some individual householders or private entrepreneurs go to a bank for a loan, they carry false papers. Once the loan is in their hands, they squander and waste it, recklessly spending and arbitrarily using it. From where can the bank regain this money! The banks feel that there is too great a risk in making loans.

### III. Several Problems Requiring Exploration

The complaints of the businessmen in the individual and private economies and the difficulties of the relevant trade departments reflect from different angles several problems that need to be studied and explored in the current development of the individual and private economies in Qinghai.

First, the problems awaiting solution must be recognized. With a unified understanding there will be a common language. With the "three advantages" as the criteria for judging right and wrong, we must in everything proceed from vigorously promoting Qinghai's overall situation. If there exists a bias against the individual and private economies, or if they drift away from department work and economic construction—this center and overall situation—this is bound to cause "ideas to remain on the lips and policy preferential treatment to remain on paper" and not be implemented. In Qinghai, the problems of the individual and private economies getting a late start and their scale being small are not to be feared; what is most to be feared is that the understanding will not keep pace and thinking will not be unified.

Second, the problem of many taxes and expenses must be concretely analyzed. What should have been collected certainly must have been collected, and what should not have been collected must be resolutely sorted out and returned. Paying taxes is the bound duty of the individual and private economies, and is not a burden. In this survey we discovered that very many individual households do not separate concepts of taxes and expenses, and no matter who collects money from them they say it is a tax. They should clarify the concepts of taxes and expenses, and in this way the individual and private businessmen will enhance their understanding of tax paying and resist irrational charges. We think that, for the individual and private economies, a policy of light taxes and strict punishment should be adopted, thereby enhancing the consciousness of taxpayers in stopping the undercurrent of tax evasion.

Third, to change multi-headed control into unified, coordinated control, the industrial and commercial departments should become spokesmen for the individual and private economies, and support them with justice and force. In various places leading groups for the individual and private economies should be set up, and they should coordinate in solving the problems that crop up in the development of the individual and private economies. Industrial and commercial bureaus should take the lead in controlling individual industrial and

commercial households; and organize tax, banking, public security, public health, urban construction, other departments to form joint working bodies that carry out a coordinated process of examination and approval. With regard to the control of individual industrial and commercial households that go on county fair markets, Shandong's experiences can be used as a reference, i.e., on the market comprehensive control is to be exercised by the committee or office set up by the department involved, and other departments or individuals must not intervene at will.

Fourth, we must constantly sort out the unlicensed businesses. As much as possible, all businesses must be licensed. With regard to those that are difficult to license, we can designate places to effect special control; those that have the conditions for licensing should be promptly licensed; and unlicensed business sites should be withdrawn and licensed business markets put in their place, and the industrial and commercial departments should provide the necessary services. We must resolutely change the phenomenon in which licensed and unlicensed businesses are mixed on one market.

### IV. Several Suggestions on Promoting Development of Individual, Private Economies

Acceleration of the development of the individual and private economies is of important significance for the promotion of the prosperity of the province's urban and rural economies and for the invigoration of their markets—for example, expanding the social connections for employment and achieving smoothly the second strategic goal. Acting boldly with a free hand to develop the individual and private economies should become an important task of party committees and governments at all levels. To this end, we make the following suggestions:

A) Unify understanding and develop with a free hand. We must get rid of the "Leftist" ideological influence of "fearing the private" and "eliminating the private," smash the bonds of traditional ideas, and sincerely and boldly support the development of the individual and private economies. We must resolutely do away with the idea of equating the development of the individual and private economies with "privatization"; do away with the idea of putting in opposition the development of the individual and private economies on the one hand and the strengthening of public ownership on the other hand; and do away with the idea that a simple analogy exists between the individual and private economies on the one hand and the private industry and commerce and the small proprietors of the fifties on the other hand. We must expand the propaganda and reportage on the development of the individual and private economies and correctly guide public opinion, so that a common understanding is reached by all quarters of society, and a good public opinion and social environment is formed for the development of the individual and private economies.

B) We must both develop and control. The general guiding ideology should be: first develop and then standardize, and, on the basis of the development, strengthen control and with this strengthened control better promote development. Based on Qinghai's actual situation, policies must be further relaxed so as not to restrict the business norms, not to restrict the conditions for starting businesses, not to restrict the proportion of growth, and not to restrict the scope of development. At the same time we must strengthen control, particularly plugging the loopholes for tax evasion, so that after the tax burden is lightened the actual amount of taxes collected is not reduced.

C) We must make adequate use of policies and strengthen measures. All policies that are stipulated in explicit terms must be resolutely implemented, and must not be allowed to fall short; and there must be regular inspections of the situation in implementing the policies. With regard to some departments that, in order to get a monopoly business, come up with illegal "licenses" and special-item examination and approval systems, there should be a resolute redress. With regard to some provisional policies and measures that have been adopted over the past several years, all those that have no basis in law or regulation, do not suit the current situation, or are not advantageous for the development of the individual and private economies, they should be resolutely abrogated.

D) We must enhance leadership and unify coordination. Party committees and governments at all levels must put on their daily agenda the giving of full attention to, and the support of, the development of the individual and private economies, the regular hearing of reports, and the taking of the initiative to coordinate the relationships between relevant departments, so that the relevant policies that help maintain the development of the individual and private economies are put on a solid footing. In particular, they must make a point of helping to solve the specific problem of site, funds, and raw materials.

E) We must expand the business scope of individual industrial and commercial households and private enterprises. All industrial and agricultural-sideline products that the state releases should be permitted to be produced and handled in business by the individual and private enterprises. After obtaining approval, the individual and private enterprises may sell on commission the overstocked products of state-run and collective enterprises, also may ask to produce, on a one-time basis, the products of state-run and collective enterprises.

F) We must arrange for injured or sick people and for youths awaiting employment to get positions by stipulated proportion of private enterprises, which may, in accordance with the regulations for collective enterprises, enjoy special consideration for tax reduction or exemption. Cadres transferred to other work, youths awaiting employment, and students of secondary and higher educational institutions, and surplus personnel in state organizations and in state-run and collective enterprises who start up private enterprises or go to work in private enterprises can

be calculated for seniority. The private enterprises will take part in the overall planning for the insurance of the staff and workers' retirement fund, which will be timely handled by labor departments.

G) No unit may, at will, dismantle and remove or seize the place of business registered or taken on lease by the individual and private enterprises. With regard to those places that governments at the county level and above have approved for dismantling and removal, the unit or individual doing the dismantling should, in accordance with the rules, bear the cost of dismantling, and rationally arrange for removal to the new business site. The seizing unit or responsible person is responsible for paying compensation for the losses incurred because of the seizure of a site.

H) We must lead private enterprises in the direction of developing into scientific and technological types and export-oriented types. Private enterprises that run a Sino-foreign joint venture or a Sino-foreign contractual joint venture, or that contract to engage in the "three forms of import processing and compensation trade," may apply for a reduction of half their taxes. Private enterprises that engage in planting, aquatic breeding, and processing of agricultural-sideline products, or that provide services before, during, and after production, may also apply to the local tax organization for a reduction in taxes.

## FINANCE, BANKING

### Suggestions for Managing Foreign Banks

93CE0520A Beijing GUOJI SHANGBAO in Chinese  
17 Apr 93 p 3

[Article by Wang Wenli and Li Zonghai: "Consult Others' Experience and Be Prudent in Making Selections, Regulating Foreign Banks in a Scientific Manner"]

[Text] To allow foreign banks to operate in—and to introduce foreign banks into—China are an important component of China's reform and opening to the outside world. In early 1982, the overseas-chartered South Sea Bank became the first to be permitted to begin operation in the Shenzhen Special Economic Zone, thereby starting the process of introducing foreign banks into China. By the end of 1992, as many as 50-plus foreign financial institutions had been introduced into China. Foreign banks from eight countries and areas had established branches in coastal cities like Shenzhen, Shanghai, Xiamen, Haikou, Zhuhai and Shantou, conducting business operations; in addition, over 220 resident representative offices had been established. At the same time, China's specialized banks had as many as 50-plus overseas offices.

Presently, with the development of the economy and the improving of reform and opening to the outside world, we are faced with the task of introducing more—and enhancing the regulation of—foreign banks. Therefore, it becomes very necessary to consult the experience and lessons learned by other countries and areas in introducing and regulating foreign banks.

### **I. The Benefits Resulting From the Introduction of Foreign Banks**

With the implementation of the policy of opening to the outside world, the Chinese economy has joined the world economy, resulting in the development of economic, trade and financial exchanges with countries around the world as well as in closer ties and mutual penetration. In order to accelerate economic construction on the basis of keeping the focus on economic construction, it is not enough to just rely on our own accumulation, but it is necessary to use large amounts of foreign investment. In this regard, the introduction of foreign banks can satisfy the more advanced needs occurred in the process of utilizing foreign investment, as it can secure, for China, more foreign investment based on financial capital, stimulating the development of the banking and financial industries, thereby further facilitating and promoting the overall development of our national economy.

It is necessary not to introduce only banks from the developed countries (or areas); the developing countries also have banks that can be introduced. This approach is in accord with the trend of development in international finance, and appropriate in view of the development of transnational corporations, transnational banks and transnational investment. In the developed countries (or areas), not only are domestic banks are moving toward internationalization, but ever more foreign banks are operating inside the countries (or areas) concerned. Examples: the United States, Great Britain, France, and Hong Kong. Take the example of Hong Kong. By early 1992, there were 163 banks in operation in Hong Kong. Of those banks, 133 were overseas-chartered banks (foreign banks), accounting for 81.6 percent of the total; but only 30 were locally chartered banks, accounting for 18.4 percent of the total. In terms of the number of banks introduced, Hong Kong occupies the fourth place in the world, with its number smaller than only those of the United States, Great Britain and France. In terms of the situation of Hong Kong as a city, it has fewer foreign banks than only New York or London does, while having more foreign banks than any of such Western metropolises as Paris, Frankfurt and Zurich, and has thus become a city which has introduced one of the largest numbers of foreign banks internationally.

The introduction of a large number of foreign banks has created great benefits for Hong Kong: First, the banking industry has achieved significant development, especially international business and off-shore business which have been developing rapidly. By early 1992, the banking system of Hong Kong had foreigner-involved

assets and liabilities totalling US\$502.1 billion and US\$431.6 billion respectively, occupying the fourth place in the world and the second place in Asia. Second, by absorbing large amounts of overseas capital, Hong Kong has become the most important center of bank lending and one of the issuing centers for debt securitization in Asia. This situation has, in turn, stimulated the development of such financial markets as the foreign exchange, gold and silver, securities, and futures markets and even pushed forward the development of the trade, transport, real estate and tourism sectors. Third, the competition mechanism of Hong Kong's banking industry has been enhanced. This is helpful to the improvement of management standards and the quality of the personnel across the industry. Fourth, many new financial tools and financial services and scientific and technological achievements have been introduced because of the presence of foreign banks. This has moved Hong Kong's banking industry toward becoming highly internationalized and modernized. Fifth, Hong Kong's economic ties with the countries and areas around the world have been getting ever closer. This has been helpful to the establishment of an externally oriented economic system in Hong Kong. From the preceding analysis, we can see that being very densely populated by foreign banks has been an important factor contributing to Hong Kong's becoming an international financial center, and also the chief symbol of its status as an international financial center.

The introduction of a large number of foreign banks into Hong Kong has further stimulated and facilitated the economic development of Hong Kong. Similarly, the actual process of introducing foreign banks in this country over the past decade has also shown that the introduction of foreign banks into China has provided the conditions needed for establishing new and more expeditious channels of introducing foreign capital and various new things in the financial business, for developing international trade contacts and the capability to supply instruments international settlement, for learning the advanced knowhow relating to the scientific management of modern banks for the purpose of improving the management standards of Chinese banks, for gradually developing our banking industry's sense of competition and capabilities to compete, for improving investment environment, for exchanges and cooperations between banks of different countries, and for the establishment of equivalent overseas offices of Chinese institutions in foreign countries. Particularly, the introduction of foreign banks into China has played, and will continue to play, an important positive role in securing—for China—more foreign investment based on financial capital, and in alleviating the problem relating to the supply and demand of capital, thereby further promoting and facilitating the economic development.

### **II. Prudently Select the Policy on Introducing Foreign Banks and the Types of Foreign Banking Institutions To Be Allowed To Operate**

As in the case of other things, the introduction of foreign banks has both positive effects and negative effects.



Especially, the introduction of more foreign banks will inevitably exacerbate the competition in the banking industry. This demands that we be prudent in selecting the policy on introducing foreign banks and the types of foreign banking institutions to be allowed to operate.

The policies on the introduction of foreign banks adopted by various countries around the world can largely be put into three categories: In the first category are the policies of such countries as Iceland, Norway, Sweden, Portugal, and New Zealand which impose stringent restrictions on the commencing and conducting of business operation on the part of foreign banks. Generally, these countries prohibit foreign banks from opening branches or subsidiary banks within their borders, only allowing the establishment of representative offices. In the second category are the policies of such countries as Canada, Spain, and Japan which have, only in the recent years, begun to allow the entry of—and introduce—foreign banks. In the third category are the policies of such countries as Great Britain, France and the United States which maintain relatively mild restrictions on the commencing and conducting of business operation on the part of foreign banks. Why would countries in the world adopt different policies on—and attitudes toward—the introduction of foreign banks? The decisive factor here is the level of development and the degree of openness of a country's financial market. However, the goal of any country's policy on the introduction of foreign banks would be to obtain the funds needed for economic development and stimulate the development of domestic banking and financial industries through introducing foreign banks, so as to facilitate and promote the overall development of its national economy. Everyone would be in agreement on this point. In today's world, generally, a country would formulate its policy on foreign banks on the basis of taking into account the state of the development of its national economy, its economic development strategy, its specific objectives to be achieved through introducing foreign banks, and the business characteristics of the foreign banks concerned. Nevertheless, in each case, the specific policy would usually contain or be guided by three policy elements or policy principles: the principle of protectionism (that is, imposing some restrictions on the commencing and conducting of business operation on the part of foreign banks and on the management of foreign banks so as to accomplish the objective of shielding the domestic economic and financial development from disruptions, disturbance and control originating from outside sources); the principle of reciprocity, (that is, using reciprocal policy measures to supervise foreign banks from another country and their business activities, or, in other words, following the principle of reciprocity and equality in introducing and regulating foreign banks); and the principle of unilateral preferential treatment (that is, granting unilateral preferential treatment in introducing foreign banks, while not requiring the other country involved to adopt similar policy measures).

In view of the state of economic development (mainly the state of financial development) of China and the

experience and lessons learned so far in the process of introducing foreign banks into China, it is necessary—while introducing more foreign banks—to consider both the stimulating effect of the introduction of foreign banks on financial and economic development and the need to shield the development of the national economy from excessive disruption, disturbance and control. In our view, in the early stage of introduction and in coastal cities, the principle of reciprocity can be given more emphasis. After a certain number of foreign banks have been introduced and after those banks have achieved some development in business operation, that principle can then be gradually applied to the inland regions. This will be in accord with the rules of logic.

The introduction of foreign banks will inevitably involve another question, that is, the question as to the types of foreign banking institutions to be allowed to operate. In terms of the types of foreign banking institutions to be allowed to operate, that is, the kinds of organizations that foreign banks can set up in the host countries to conduct business operations, there are three types of rather formal institutions: the branch (when allowed to open branches in a foreign country, a bank will be able to formally start business operations in the foreign country); the subsidiary or joint-venture banks (both are banks controlled by the bank holding company and chartered in the host country, and, legally, are fully independent entities); and the international syndicate (a transnational banking organization composed of large banks from several countries). There are also three types of informal institutions which cannot conduct substantive business operations: the representative office (in which there will be several representatives and a few office workers who will be responsible for exploring business opportunities for a large bank before a formal business institution is established), the agency (a form used during the transition from the representative office to the branch); and the correspondent-bank arrangements (before setting up branches in foreign countries, a bank has to make correspondent-bank arrangements with foreign banks in order to be able to handle international business).

From the standpoint of banks, each of the types of institutions discussed above is appropriate in some sense. In order to make a foreign bank become appropriate to the needs and development of the host country so as to enable it to do a better job of entering the local market, it is better to use such less-advanced types of institutions as those of the representative office, agency and correspondent-bank arrangements in the early stage of the bank's operation, that is, before setting up a formal institution of business operation. Turn the informal institution into a formal one only when some time has passed, when experience has been acquired, when familiarity with the market has been achieved, and when the conditions are ripe. In view of the fact that the international banks of the developed countries are developing more rapidly and more mature, in order to meet the needs of the all-dimensional reform and opening to the

outside world, the coastal open cities of China can move directly to considering introducing foreign banks in the forms of branches, subsidiary banks, or joint-venture banks, while large inland cities with strengths in the areas of trade and economy and development potentials should mostly introduce foreign banks through the establishment of joint-venture banks.

Based on the preceding analysis, we believe that active introduction of foreign banks is helpful to the development of our national economy. But, what is important is to formulate our own policy on foreign banks in accordance with the needs of the development of the national economy and the economic development strategy of our country, and to formulate laws to embody that policy. In the process of introducing foreign banks, it is necessary to be prudent in selecting policy principles and the types of institutions, and carry out timely adjustments in view of the developments and changes in the economy, so that the introduction of foreign banks can both be appropriate to the economic development of China and play a greater positive role in promoting the development of the economy and the financial industry of China.

### III. Further Enhance the Scientific Regulation of Foreign Banks

As the situation in the international banking industry is very complicated, all countries and areas have established special supervisory systems in introducing foreign banks. It is not only necessary to supervise the local branches of foreign banks, but also the headquarters and all their other overseas branches and offices, so as to be able to adopt effective measures as soon as problems are discovered, in an effort to eliminate or reduce relevant losses. As far as the foreign banks that have already been introduced into China are concerned, they all have various problems to varying degrees. For instance, some foreign banks evade foreign exchange control through transfers between the headquarters and branches. While the account of the Chinese branch shows losses, profits have in fact already been transferred to the account of the headquarters abroad, resulting in a situation where the bank concerned appears to be making losses, but is in fact making profits. Some foreign banks use little of the deposits they received for loans to be used for production and construction purposes, while transferring operating funds abroad, resulting in capital outflow. The operating risks and possible bankruptcies on the part of some foreign banks—which are transnational banks—also lead to financial instability within and outside borders.

Therefore, it is very important to further enhance scientific regulation of foreign banks; and this is also an important task that the host country has to accomplish in order to exercise its state sovereignty. To carry out scientific regulation of foreign banks, first, it is necessary to abide by the principles of the Basel Agreement and the GATT. Follow the principles of "appropriate protection,

reciprocity, national treatment, and serving our purposes." It is necessary both to protect China's underdeveloped financial industry still in its infant stage so as to promote the development of that industry, and to encourage the setting up of banks and investment in China, protecting the legitimate rights and interests of foreign banks. Second, it is necessary to speed up the development of laws and rules used for carrying out scientific regulation of foreign banks. Formulate, at an early date, a rather comprehensive national law on the regulation of foreign banks. At the same time, promulgate related laws and rules, so as to provide legal protection for foreign banks with regard to their business operations in accordance with the laws and rules. It is necessary to carry out regulatory activities in accordance with the law, to abide by the law, to strictly enforce the law, and to hold those violating the law accountable. Third, it is necessary to gradually establish a system of scientific supervision of foreign banks in accordance with the principles of the Basel Agreement. First of all, set the capital adequacy guidelines on the basis of the capital/risk assets ratio and the method of determining the minimum capital rate provided in the Basel Agreement. Stipulate that a foreign bank's capital/risk assets ratio should not be lower than 80 percent, and that the core capital/risk assets ratio should not be lower than 4 percent, thereby ensuring safe operations. Second, it is necessary to establish and develop a system of examining and monitoring the financial, tax-related, and accounting reports of foreign banks. Third, it is necessary to strengthen the information exchange and cooperation with the supervisory agencies of the home country. Fourth, improve the standards of scientific regulation. The central bank should select high-quality personnel who will carry out scientific regulation of foreign banks in accordance with the law, and provide them with the necessary training, so as to develop a body of foreigner-involved financial supervisors who have a good grasp of policy and laws, strong capability to accomplish domestic and international tasks, and high integrity.

### Potential Problems in Distorted Financial Markets

93CE0466A Beijing JINGJI CANKAO BAO in Chinese  
12 Apr 93 p 4

[Article by He Jiawu (0149 0502 2976): "Financial Distortion Presents Major Potential Problems for Reform and Development"]

[Text] While China's banking has been steadily reformed and developed in recent years, it has also experienced a series of distortions, which not only are directly affecting current economic stability, but also are severely limiting further growth and reform. This has caused continuous breakouts of potential problems that might flare up again at any time, which deserve to be emphatically studied and solved.

### 1. The nonopenness of banking credit-fund operations.

While the credit-fund operations of China's banking are apparently strictly planned and controlled by the central bank (the PBC), with both savings and loans being restrained by directive plans, this is actually a completely superficial statistics-reporting phenomenon. All comrades in the banking field know that the actual savings and loans of all banks are completely different from the situation reflected in plans and reports. The real savings and loan figures are considerably larger than those reflected in plans and reports, with the actual amount of loans made in certain places being double or even more than reported, producing a large amount of "secret loans," and causing a severe phenomenon of nonopenness of banking credit-fund operations. Behind the planned apparent figures, banking funds are being invested in economic operations through a variety of means, far exceeding planned figures, while the bank-loan volume reflected on report forms remains simply the planned figure. A great many acts, such as hypothetical calls, assumed trusts, and unaccounted loans, are an open secret in banking circles, over which the central bank has no control. This nonopenness of banking credit-fund operations has severe consequences. It directly distorts the credit activities of banks, turning the most accurate and sensitive "barometers" of economic operations into absolutely insignificant false figures, and leaving the state economic-policymaking sector unable to either understand the true financial and economic situation or make correct decisions based on authentic figures.

The essential cause of the nonopenness of banking credit-fund operations is the conflict of bank operations becoming more businesslike and fundraising more market-oriented, while bank management is planned. Banks can maintain their operations only through raising funds on markets at a certain price (interest and fundraising costs), which funds must be invested and loaned at a certain price (interest). If the funds raised by banks cannot be correspondingly loaned out, this is bound to and ought to cause breaking out of planned restraints to loan or operate through other means. In other words, the nonopenness of banking credit-fund operations is due to market-economy laws forcing banks to use irregular means to resist the traditional planned-management system. The only solution to this problem is to comply with market-economy demands, by practicing assets-liability-ratio (balance-sheet) management of bank credit funds, and allowing banks to make more loans in line with the growth of their available funds, in order to make their credit operations public. The state macroeconomic policymaking sector can then adjust the assets-liability ratio to effectively balance credit, and credit-fund operations will then openly and accurately reflect and balance economic operations.

2. The "black hole" of credit-fund demand. While the fundamental part of banking credit funds is deposit liability, based on the operating principle of compensated use and cyclical turnover, China's banking is now

faced with a severe phenomenon of unpaid loans, with at least one-quarter of loans being overdue and one-fifth being unrecoverable. Meanwhile, as banks are still actually regarded as government and departmental cashiers, they are often put under great pressure to make loans that they should not. This is precisely the cause of the credit-fund-investment "black-hole" phenomenon, in which loans are absorbed just like matter into "black holes" with no chance of escape. These "black holes" of credit-demand pressure and unrecoverable loans leave banks with little credit-asset flexibility. And once the central bank tightens money just a bit, many bank branches are faced with a payments crisis, enterprises are unable to make regular purchases and payments, and the state is forced to abandon its tight policy, the end result of which is steadily-growing and uncurable inflation.

The basic cause of this "black hole" of credit-fund demand is that banks are regarded as government and departmental cashiers, being forced by directive plans to make loans to enterprises with no repayment capability. The only way to solve this problem is to speed up the reform of bank lending mechanisms, by allowing banks to make their own lending decisions guided by national industrial policy, and to be selective of enterprises in order to promote the conversion of enterprise operating forces, curb irrational loan demand, and increase bank-loan recoverability, so that banks can more flexibly implement state credit-regulation measures, and become effective means of regulating the economy and promoting economic development.

3. The nonbank trend of credit activity. While state specialized banks are the major part of China's financial system, which should be regarded as the major channel for China's credit activity, recent years have seen a large flow of bank funds in forms, such as deposit transfer and fund call, into nonbank financial institutions, such as trust companies, finance companies, and urban credit cooperatives, causing a phenomenon in which nonbanks conduct investment and loan credit activity. As the lending by these nonbank financial institutions is essentially not controlled by planning, the nonbank trend of credit activity has increased both the amount of credit that is hard for the state to regulate and control and the difficulty of macroeconomic regulation and control.

The basic cause of this nonbank trend of credit activity is that specialized banks have been overcontrolled, while nonbank financial institutions have been undercontrolled and deregulated too arbitrarily. This is similar to the situation of industrial enterprises in which the overcontrol of large- and medium-sized state enterprises has sapped their vitality. In banking, if we do not bring the dominant role of banks into full play, but allow it to be supplanted by other nonbank financial institutions, the state's financial macroeconomic regulation and control effectiveness will be sharply discounted. Invigorating state specialized banks, by allowing them to play the key financial role in a market economy, will be a major matter affecting our economic development and overall reform.

4. **The disorder in banking activity.** The disorder in banking activity is concentrated in the central bank becoming more businesslike and specialized bank operations becoming "more diversified." In either international practice or China's banking system, while a central bank should be a nonprofit management organ, whose highest code of conduct should be socioeconomic development and currency stabilization, China's central bank certainly has its own profit earnings, handling a considerable amount of direct lending business. Meanwhile, the specialized banks that should operate like enterprises are having trouble doing so, being accounted as businesses, while having to turn over their profits to state revenue according to plans, so that there is no direct relation between their realized profits and their self-development and employee interests, genuine profit restraint and incentive forces have not evolved, and they cannot acquire a self-development capability or raise their employee income through correct credit operations. This leaves specialized banks not conscientiously running credit operations, but rather busily providing various services, dealing in bonds and real estate, and in certain cases becoming "grocery stores" that will do anything. This disorder in banking activity is very dangerous. The business activities of the central bank not only prevent improvement of its management regulation and control, by intensifying the conflicts with its regulation and control targets, but also affect the fairness of its actions, thus severely affecting state financial macroeconomic regulation and control and banking reform. The current banking reform problems of a centralization trend and financial regulation and control methods becoming more administrative are examples of this. And the diversification of specialized bank operations severely affects their normal credit operations, creating a severe threat to China's healthy banking development.

The basic cause of the disorder in banking activity is that market economy demands and current international principles have not been used to delimit the functions of the central bank and state banks. Our central bank not only uses the traditional planned-economy directive plans and emphasis on various means of administrative examination and approval jurisdiction to control specialized banks, but also violates international practice by directly making loans and earning profits. And as to the businesslike management of specialized banks, the concerned parties certainly have a negative approach. Specialized banks cannot realize their own profit aims through normal credit operations, while having to maintain their operation, pay interest to depositors, and turn over taxes and profits to the state, so that the only way they can develop and resolve their employee interests is through all sorts of supplemental "sidelines." This "diversification" trend of specialized bank operations is profit-driven, as well as being forced on them to a great extent. So the solution to the disorder in banking activity can be summed up simply in that the PBC needs to become a genuine central bank and specialized banks need to become genuine enterprises. It will be only by applying this international principle to delimit and standardize China's banking activity, enabling

our banking system to operate in a standard manner, that we will be able to provide a reliable basis for economic development and reform.

#### **Tax Regulatory Function in Market Economy**

93CE0466B Beijing JINGJI RIBAO in Chinese  
9 Apr 93 p 7

[Article by He Zhenyi (0149 2182 0001): "The Tax Regulatory Function in a Market Economy"]

[Text] As all throughout China are now devoting their efforts to reform aimed at establishing a new socialist market economy system, we need to speed up our tax reform pace to adapt to these new conditions. And we ought to give first place to converting the regulatory function of taxation, as a necessary means of macroeconomic regulation and control over market operations.

#### **I. Market Economy Development Will Mean Perfecting the Tax Regulatory Function**

The economic development experience of all countries shows that establishing market economy operating forces means building a corresponding tax regulatory mechanism. The essential feature of a market economy is that markets play the key role in the disposition of resources, making them the basic director of economic operations. While this excludes the traditional form of disposition of resources whose basic orientation was directive planning, it certainly does not exclude the necessity of state macroeconomic regulation and control. On the contrary, as markets per se also contain certain weaknesses and imperfections, a market-oriented foundation still requires that the role of state macroeconomic regulation and control be brought into full play to correct and supplement market-regulation inadequacies, in order to ensure the sustained, steady, coordinated, and efficient growth of the national economy. So when building a market economy system, it will be necessary to enhance the role of state macroeconomic regulation and control.

Of course, this role enhancement is absolutely not of the old form of macroeconomic regulation and control of allocating funds and materials through direct interference in the actions of the key market players, but rather simply of a new form of macroeconomic regulation and control suited to and determined by a market economy. This new form of regulation and control is characterized by the state acting in accordance with economic laws, particularly the demands of market economy laws, by drawing up macroeconomic development strategies and guidance plans, and then using the necessary policy means, mainly fiscal, monetary, and industrial policy, to indirectly guide the actions of all key market players, so that their operations are oriented toward these macroeconomic guidance plans. In other words, macroeconomic regulation and control in a market economy is indirect regulation and control through the role of economic parameters.



In such a system of regulation and control, taxation occupies a conspicuous position. Taxation distribution touches upon all areas of the economy and society, being a key means of economic regulation directly controlled by the state, as well as an important parameter of market economy operations. As taxation changes directly affect the interests of all key players in the economy, as well as having an indirect impact on market prices and supply/demand, improving and enhancing the tax regulatory function is an indispensable link in establishing a macroeconomic regulation and control system for a market economy.

## II. Streamlining the Tax Function Is the Only Way To Perfect the Tax Regulatory Function

Our current tax regulatory mechanism evolved out of the second stage of the substitution-of-taxes-for-profits reform in 1984. While this regulatory mechanism has played a positive role in areas such as promoting reform and regulating the economy, which achievements cannot be denied, it is certainly very unsuited to the needs of a market economy. This is because the second stage of the substitution-of-taxes-for-profits reform certainly did not completely escape the framework of the old tax-administration thinking. While the taxation design of this reform chose a compound taxation system in accordance with market economy demands, it certainly remained built on the old thinking that tied the ownership function to taxation in its construction of all major tax-category functions. This was expressed mostly in the tax-policy construct of the second stage of the substitution of taxes for profits, which adopted a triple regulation plan for enterprise earnings, i.e., using circulation-tax reform for the first regulation of enterprise earnings, income taxes for the second regulation, and regulatory and bonus taxes for the third regulation, in order to achieve the end result of squeezing enterprise retained profits to the designated level, in order to ensure the same amount of state revenue. This method of tying the ownership distribution function to the tax function not only directly undermined the tax function, but also brought many conflicts and difficulties to subsequent tax operations.

The distribution and regulatory functions of ownership, as opposed to the distribution and regulatory functions of the state as the administrator, are two absolutely different matters, with the two having different operating bases and aims. As to their different regulatory-function aims, the regulatory aim of ownership is to improve enterprise operating conditions, by optimizing the disposition of enterprise resources to achieve maximum earnings, while the regulatory aim of government administration is to maximize the overall efficiency of the national economy through optimizing the overall disposition of resources. One is aimed at enterprises, while the other is aimed at the overall national economy, so that tying these two regulatory functions together in tax operations causes sharp friction between them, resulting in tax operations violating market economy demands.

1. It weakens and distorts the tax function. As it is only when all major market players in a market economy have equal standing and conditions in competition that the positive role of the market disposition of resources is brought into full play, market economy development means that taxation must either treat and regulate all major market players equally, or destroy the conditions and climate of equal competition. So tying the ownership regulatory function into the tax function blurs the line between the two functions, making it difficult for governments at all levels in their regular use of taxation to distinguish the jurisdiction of their ownership function from their administrative one. Using taxation to improve enterprise operating conditions as the owner in ways such as using tax reductions and exemptions to resolve difficulties created by poor enterprise management, jeopardizes the tax base, weakens the tax income function, violates the principle of tax-regulation fairness, causes situations, such as taxation cracking down on the advanced and protecting the backward, and thus creates distortion in the tax regulatory function. An analogy is often drawn between using taxation to resolve enterprise fund demand and operating difficulties and "turning on the water to cultivate the fish," and "cultivating fund sources." Of course, while it is beyond reproach that the government as the public administrator must pay attention to cultivating fund sources through tax operations, this is essentially different from resolving the funding difficulties of a few enterprises, and the two must not be confused. Resolving the operating difficulties and fund demands of a few enterprises is essentially an ownership function, not the job of state tax regulation, so that transferring this job to tax administration violates the nature of taxation and causes tax operations to overstep their bounds. This is because using taxation to administer the ownership function puts tax-system development and collection management in a two-way bind, in that exercising the ownership function in tax development and management to pay attention to the varying demands of various enterprises undermines tax standardization and the solemnity of tax laws, causing damage to the tax function. And protecting the uniformity and standardization of the tax system makes it hard to perform the ownership regulatory function, leaving certain enterprises that deserve consideration without the conditions to improve their operations and overcome their difficulties.

2. It individualizes and micromanages the macroeconomic regulation and control function of taxation. Market regulation is an individual regulation, whose major defect is that its lack of force in overall economic control and macroeconomic structural regulation must be supplemented with the use of macroeconomic regulation means by the state. So it is only when taxation as the state's key means of macroeconomic regulation and control converts its regulation focus completely to the macroeconomic for overall regulation that it can effectively supplement market defects in the area of the disposition of resources. But when the tax regulatory function is tied into the ownership regulatory function,

the limitations of divided ownership powers and functions unavoidably brings tax-jurisdiction decentralization, sapping the overall nature of the regulatory function, and thus causing friction between tax regulation and market regulation.

In short, the many defects that are showing up in our current tax-function operation, and its many disparities with market economy operations, are all due to taxation being tied into the ownership function. In order to rationalize our tax system and enhance the tax function to contribute to market economy development, it will be only through taking major tax reform action, by conducting an overall inventory of our tax system and collection-management rights and responsibilities, in order to clear out the ownership function that has been tied into taxation for so many years and streamline our tax function, that we will be able to achieve this successfully.

### Bright Future Forecast for Insurance Industry

93CE0529B Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese No 16,  
26 Apr 93 pp 9-10

[Article by Mu Zi (4476 4793): "Bright Future Forecast for the Insurance Industry"]

[Text] Insurance can broadly be divided into general insurance and life insurance. According to the annual report of the Insurance Industry Supervisory Commission, there were 233 insurance companies in Hong Kong as of 31 December 1992, including 40 life insurance companies, 173 general insurance companies, and 20 reinsurance companies. Insurance has gradually become acceptable to the people of Hong Kong. For people who take out a mortgage to buy a house, at least, purchasing fire insurance is now a must. People who purchase a car on an installment basis must buy both general insurance and third party insurance as the law requires. Those in the import and export business must take out a transportation insurance policy for their merchandise. In

addition, of course, numerous people take out a life insurance policy for themselves. In 1991 general insurance coverage was worth a total of HK\$11,246,000,000, of which the largest portion, 29 percent, was for property insurance; followed by auto insurance, 22 percent; general liability insurance (including employee compensation insurance), 15 percent; and accident and health insurance, 10.3 percent (see table).

### Raising General Insurance Premiums To Offset Losses

In general insurance, the risk of auto insurance, employee compensation insurance, and construction insurance all increased this past year. As a result, insurance companies had to pay out huge sums in damages; meanwhile, losses to reinsurance companies continued. According to the annual report, losses for all types of general insurance in 1991 amounted to HK\$309 million, including HK\$249 million in damages for general liability insurance and HK\$122 million for property damages.

In the past few years losses to insurance companies caused by auto thefts have been mounting by the day. According to documents submitted by officials of the security branch of the Hong Kong government to the Legislative Council [Legco], auto theft has become an increasingly serious problem in the course of the past five years, from 3,555 cases in 1988 to 7,000 cases last year. Meanwhile, the auto recovery rate has been declining steadily, from 62.7 percent in 1988 to 57 percent last year. Using this as a justification, insurance companies have adjusted auto insurance premiums two years in a row. The Hong Kong Accident Insurance Association has disclosed that losses due to car thefts amounted to a high HK\$557,600,000 last year, up 154 percent over the preceding year, a record. Most sought-after by car thieves are Mercedes Benz, BMW, Honda, and Mazda sedans. The Accident Insurance Association believes that if car thefts continue to increase, many insurance companies will be forced to take measures to protect themselves, such as amending the terms of a policy midway through its life or terminating a policy.

Table 1. General Insurance: Premium Incomes

Type of Insurance	Gross Premi	Net Premi	Retention Rate
	in millions of HK dollars	in millions of HK dollars	%
accident and health	1,161.49	927.01	79.8
auto	2,523.16	2,058.75	81.6
airplane	7.63	8.68	113.8
shipping	399.63	70.26	17.6
property damage	3,274.98	1,497.66	45.7
general liability	1,676.98	1,127.58	67.2
economic rights losses	266.50	122.67	46.0
nonproportional contract	102.43	91.56	89.4
proportional contract	794.24	557.10	70.1
Total	11,246.17	7,090.70	63.0

As a matter of fact, since January this year car owners no longer receive commission refunds on the premiums they pay. So indirectly car owners are paying more to have their cars insured. Such harsh treatment by the car insurance companies has naturally provoked a storm of complaints from car owners and angered some public organizations, which demand that legislation be adopted to regulate the car insurance industry. Commissioner Xue Ming [5641 2494] of the Insurance Industry Supervisory Commission, however, argues that with 84 insurance companies in the business of auto insurance, the auto insurance market is competitive enough to make the companies offer reasonable terms and rates.

Auto insurance premiums are not the only premiums that have been going up. Last year maritime insurance premiums climbed 50 percent as a result of the contraction of the London insurance market.

#### Slight Expansion of General Insurance Business

President Huang Baoheng [7806 1405 0077] of the Insurance Federation pointed to the uncertainty in Sino-British relations as the primary impediment to the growth of the insurance industry this year. Meanwhile, in the wake of the collapse of several companies on the reinsurance market overseas, most insurance companies in Europe are not seeking to expand their scope of operations. This translates into higher reinsurance costs for local insurance companies. In particular, some of the smaller local concerns may be forced to merge with other companies. Thus merger will be a growing trend in the insurance market in the future. Huang Baoheng expects a growth rate of 10 percent for the general insurance business this year.

#### Life Insurance Has Enormous Potential

Of the various kinds of insurance, in fact, life insurance stands out on account of both its annual growth and its market potential. In 1991 the gross premiums of long-term insurance in Hong Kong stood at HK\$10,765,000,000. In terms of premiums, individual life insurance and annuity operations accounted for the greatest share of the market, about 60 percent, followed by retirement plans, 35 percent, and long-term business tied to individual investment, 3 percent.

There were about 1,500,000 individual life insurance policies in effect last year, their combined premiums being HK\$6,747,000,000, equivalent to HK\$4,264 per family.

At present about 20 to 25 percent of Hong Kong households are covered by life insurance, far below the level in other developed nations. This shows that the potential market for life insurance in Hong Kong remains enormous. In the past nine years the number of people in Hong Kong who took out a life insurance policy increased seven-fold. While life insurance has not yet become totally acceptable, the demand for it is growing daily. As increasingly more people become familiar with life insurance, the industry has also been broadening its

targets to include all social strata and all age groups. Last year was a banner year for the industry on the children's and women's markets. The average age of policyholders has also been declining steadily, from 32 years in the past to 30.

To attract more people to buy life insurance, the life insurance industry has introduced a diverse range of products tailored to meet their clients' needs, including savings insurance and medical insurance, both of which have proved most popular.

For years the insurance industry has been plagued by a shortage of workers. Right now just 12,000 people work in the industry, not enough to meet the needs of its development.

#### Rapid Development of Long-Term Insurance Industry

Apart from life insurance, retirement insurance and group insurance plans are also targeted for growth by the industry. There are currently 5,949 retirement insurance policies in effect, collecting HK\$3,735,000,000 in total premiums in 1991. According to the November 1992 monthly report put out by the Hong Kong and Shanghai Banking Corporation, if retirement insurance plans are made mandatory, the industry can look forward to an even rosier future since as much as HK\$20 billion in pension funds may be collected each year. What is worrisome, though, is that currently the public can choose from among fewer than 20 pension fund management companies, there being some risk inherent in the over-concentration of funds. In addition, if retirement insurance is made mandatory, there will be a severe shortage of insurance consultants and actuaries, potentially lowering the overall quality of the services they offer. The responsibilities of the Insurance Industry Supervisory Commission will be broadened this year to include the registration of local professional retirement insurance plans. Xue Ming said that a registration system will better assure employees that they will actually receive the retirement benefits their employers have committed themselves to providing.

Turning to medical insurance, according to statistics from the Medical Insurance Association, the number of people covered by medical insurance plans offered by organizations rose from 329,000 in 1988 to 476,000 in 1991, while the number of residents who bought individual medical insurance increased from 162,000 in 1989 to 223,000 in 1991. Although the increase in the number of participants in medical insurance plans has been slowing down, the prospect of having to pay higher medical costs after the creation of the Medical Control Office may prompt vastly more people to purchase medical insurance in the next two to three years.

#### Registration Will Enhance Confidence in Brokers

Presently the conduct of insurance professionals is not regulated. People in the industry prefer self-discipline and self-policing. To safeguard the interests of insurance policyholders, however, all life insurance sales personnel

have been required since 1 January this year to register with a central registry, meet basic professional requirements, and comply with the professional rules of the life insurance industry, namely, an agent may represent a maximum of four clients, only two of whom at most can fall into the life insurance category. Registration would help enhance client confidence in insurance workers.

Furthermore, regulations governing intermediate brokerage organizations are being drafted, hopefully in time to be presented to Legco in September. The regulations will make a clear distinction between independent insurance brokers and insurance agents. An independent insurance broker will not be allowed to work for any insurance company at all; he can only act as a liaison between a client and an insurance company, representing the former's interests. An insurance agent, in contrast, works for an insurance company and represents the company's interests. The regulations will explicitly prohibit a person from acting in both capacities, both as an independent broker and as an agent. The regulations will also stipulate in no uncertain terms that the independent broker and insurance representative must register with the Independent Brokers Association and the Insurance Industry Federation, respectively, before they are allowed to practice their trade.

#### Opening Up Mainland Market Will Help Industry Grow

Competition among insurance companies has intensified in the wake of the outward migration of companies and factories from Hong Kong to the mainland, Thailand, Malaysia and other places as their base of production. Meanwhile, Hong Kong has been free from major natural disasters or fires in the recent past. As a result, most insurance companies had to lower their property insurance rates. Industry insiders believe that an urgent task for insurance firms these days is to open up the market outside Hong Kong.

Seeing the rapid growth of the insurance market in China, many insurance companies are casting a covetous glance toward the mainland. Blazing the trail, the Metropolitan Insurance Company of the United States opened a branch office in Shanghai last October. Nevertheless, China as yet has no clear laws and regulations governing the entry of foreign insurance companies into the mainland market. So it will be sometime before the mainland market is pried open.

## POPULATION

### Use of B Ultrasound Prohibited

93CE0522A Hong Kong MINGPAO in Chinese  
22 Apr 93 p 8

[Special dispatch: "Male Over Female Birth Proportion Continues To Worsen; China Prohibits Use of B Ultrasound To Abort Female Babies"]

[Excerpts] Under the influence of the Chinese people's traditional idea that "men are superior to women,"

individual place on the mainland are using B Ultrasound's sexual distinction of the embryo to carry out abortion by choice. Jiang Zhenghua [5592 2973 5478], vice minister in charge of the State Family Planning Commission, has said that the Chinese Government is taking seriously the current situation in which more male than female infants are being born and in which the proportion is higher than the internationally recognized standard, and that the authorities are taking many measures to avoid the continual worsening of the imbalance. [passage omitted]

He said that China's sex ratio now in its total population is about 106.6 [as published], which is not much different than the internationally recognized male-female sex ratio.

At present the internationally recognized view is that under normal circumstances, for every 100 female infants born there are 106 male infants born, and so the birth sex ratio is about 106.

According to calculations made by a department involved, at present in China of the infants born every year, about 400,000 to 500,000 more males are born than females. After doing research, some population experts concluded that, half to three-fourths of the difference was caused by failure to report, or misreport, female babies, and that a part of the difference was caused by the carrying out of artificial abortion by choice after B Ultrasound had identified the sex of the fetus.

Jiang Zhenghua said that the main social cause for the rise of the sex ration was the influence of the idea that "men are superior to women."

In China, especially in the vast countryside, the influence of the traditional ideas of "treating females as inferior to males" and of "continuing the family line by producing a male heir" is fairly deep. Particularly in those areas in which the economy is not developed, the cultural and educational levels are low and the natural environment is fairly poor, men are still the main form of labor power.

Jiang Zhenghua said that the Chinese Government "takes extremely seriously" the phenomenon over the past several years of a rise in the birth sex ratio. Besides enhancing monitoring and research, the government has taken a series of administrative and legal measures to effect control and prevent, during the process of lowering the birth ratio, the problems that could appear of the birth sex ratio being on the high side.

He said that China has formulated a series of laws and regulations to ensure that women enjoy equal rights with men in politics, the economy, society, and the home, and to ensure women's legitimate rights and interests. In the "Constitution," the "Marriage Law," as well as the "Law Ensuring Women's Rights and Interests," which was promulgated last year, there are articles of law that



protect women and children, and crack down severely on illegal behavior that discriminates against and ill-treats women who give birth to female babies and that abandons female babies.

He said that China has formulated specific measures to strictly control the practice of using B Ultrasound to identify the sex of a fetus and then perform abortion by choice, a practice that has now appeared in some localities. The Ministry of Public Health and the State Family Planning Commission have issued explicit orders, and they are now pushing legislative departments to formulate articles of law that punish the illegal identification of the sex of a fetus.

Jiang Zhenghua said that China is vigorously developing safeguards in the rural society: it is providing preferential old-age insurance for women that have only female children; and is striving to provide the peasants with various kinds of services in production, life, and birthing in order to get rid of the worries caused by the absence of male children in a family.

#### **'Chengde Population Control Model' Praised**

93CE0442A Beijing ZHONGGUO RENKOU BAO  
in Chinese 15 Mar 93 pp 1, 2

[Article by Peng Zhiliang (1756 1807 5328) and Li Xianglin (2621 0686 2651): "Taking Control of Population and Advancing the Economy: the Chengde Population Control Model"]

[Excerpts] Editor's note: The Chengde area is typical of those which are "hilly, old, deficient, and poor." Therefore, the government and local CPC committees at all levels have regarded population control efforts there as too important to ease up on, and family planning in the area has been notably successful. Through a long period of investigation and practice, they have progressively constructed an overall control system which is economically and culturally compatible with the region, taking it along a successful family planning route which is bringing poverty and ignorance under control while promoting prosperity. The State Family Planning Commission and population experts have dubbed it the "Chengde Population Control Model."

Research on and analysis of the Chengde population control model's background, connotations, characteristics, value, and developmental trends, is not only of vital practical significance for family planning efforts in undeveloped areas, it is also of importance for scientific research on population and family planning work.

Chengde is a mountainous region north of the Great Wall in northeastern Hebei. It is typical of undeveloped areas which rely primarily on an agricultural economy.

More than 80 percent of the region's area is mountainous, and only 8.6 percent is under cultivation, what is commonly called "eight mountains, a body of water, and a piece of land." There are 24 minority peoples here,

including those of the Manchu, Mongol, Hui, and Korean nationalities. There are three minority self-governing counties, and 59 minority self-governing townships, with minorities composing 47.2 percent of the total population. Six of the region's seven counties are impoverished counties supported by the national and provincial governments. For many years, the entire region has absorbed an average of over 43 million yuan annually in state subsidies. The fundamental conditions for a developed economy are lacking here, agriculture is the mainstay industry, and secondary and tertiary industries are undeveloped. Of the total population, 16.42 percent is illiterate or semi-literate, while 2.34 percent of the rural populace suffers from various forms of insanity, mental deficiency, endemic diseases or hereditary illnesses which are locally serious.

Under these conditions, the government and local CPC committees at all levels are guiding the region's people in conscientiously implementing the party's basic line, while building a socialist market economy system. They are putting their maximum effort into population and family planning, and attaining unimaginable successes. From 1989 on, the ratio of women of child-bearing age and the birth rate has all along stayed below 1.63 while the rate of planned births has stayed above 98 percent.

Hebei's fourth population survey showed that in a comparison of 18 localities and cities in Hebei, only Chengde had an average annual rate of population increase of less than 10 percent. This was not only far lower than other regions in the province, it was lower than the average urban growth level in Hebei. Every year since 1988, family planning work in Chengde has led to its being called Hebei's advanced family planning region.

In 1992, the third highest year for births, the birth rate for the entire province was only 11.72 percent, with the natural rate of population increase being 6.29 percent. The total birth rate among women of child bearing age decreased by 1.29 percent.

Their success in this area has drawn unanimous praise from State Family Planning Commission leadership, as well as Chinese and foreign population experts and scholars, and has led to their population and family planning experiences being termed the "Chengde population control model." [passage omitted]

After the Third Plenary Session of the 11th Party Central Committee, the party established three strategic objectives for economic construction to develop every part of China under socialism with Chinese characteristics. However, in Chengde, the per capita GNP was only 196 yuan, with the per capita income only 178 yuan, far from the goal of a comfortable standard of living.

At that time, the leadership of local party committees and administrative offices figured accounts, and found that from 1952 to 1981 the population of the region increased from 123,280,000 to 233,040,000, and grain production from 950 million jin to 1.448 billion jin. These were increases of 89 percent and 52.4 percent,

respectively, but a 149.3 jin per capita decrease in grains for the same period of time.

The grim economic and population circumstances presented all levels of Chengde's leadership and the broad mass of its cadres with serious questions that demanded response and resolution: How to get the masses to cast off their poverty and attain the necessities of life? How will the people here reach a comfortable standard of living by the end of this century? [passage omitted]

In 1983, Chengde's party and administrative leadership formulated a strategic program to declare war on poverty and lead all the region's people to a comfortable standard of living. To counter a realistic situation in which a rapidly growing, low-quality population was seriously restricting economic development, they proposed economic development policies of "poverty control requires birth control; prosperity demands the elimination of ignorance"; and, "lay equal stress on the two forms of production, with simultaneous development (manpower and resources)."

The local party secretary in that year was Hu Guangyi [5170 1639 5030]. Elaborating on this grand developmental strategy for various county party and governmental leaders, and responsible people reporting to them, Hu noted that "planning population growth and generally raising the quality of the rural population are two fundamental prerequisites to achieving this guiding objective." Tang Quanjie [0781 0356 2638], formerly the administrative office specialist, stated that: "Population and economics are two aspects of the same issue. It is only by resolving the population problem simultaneously with taking control of the economy that we will quickly solve our economic development problems, cast off poverty and attain prosperity." The current administrative specialist, Li Zhanshu [2698 2069 2579], has in numerous addresses to regional meetings stated that: "Population growth can produce a chain reaction, with long term and cumulative effects. Controlling economic development without controlling a too-rapid population growth is not wise leadership." This understanding on the part of a handful of experts soon spread to the region's cadres at all levels, and to the broader masses. As a result, the recognition that taking control of the economy requires resolution of the population problem became commonly understood among the masses. Control of population advances the economy became the unified opinion among cadres and masses throughout the region.

In the Chengde region, party and government leaders have not just been oral advocates of family planning in meetings, but also in their writings. Even more valuable, they have all practiced what they preach, and taken the lead in setting the example. Whenever they have encountered a serious problem in their family planning efforts, they have chosen measures to deal with them on the spot. The family planning leaders in the region's seven counties identified 117 problems in 10 categories, such as

setting up organizations, disseminating education, styles of work, etc., and these were all resolved one-by-one on the spot.

In their family planning leadership, besides implementing a system of layers of responsibility for objectives, every level of leadership has set up a system of regular meetings to study the content of family planning work. At these quarterly meetings, whatever problems are identified are given prompt resolution. The local party secretary, Hu Zhenguo [5170 2182 0748], stipulated that the busier the work, the more orderly will be our family planning work; the stricter the finances, the more limited will be the use of funds for family planning; the more restrictive the plan, the more family planning cadres will have to be assigned to the work.

In the daily work of population and family planning, leading members of the local party committee and administrative offices have put into operation a county contact system, in which each member of the committee or administrative office has a contact count. They check with that county at intervals which may be either fixed or irregular, directing the work there.

Expressing the majority view of controlling the population problem, Wu Shaoxian [0702 1421 0341], Director of the local family planning commission, said, not without some emotion, that: "Party central authorities and the State Council have stressed the personal responsibility that party and government at all levels have for family planning. While this is very important, I believe that overall emphasis and joint control by leading groups is also very important. This sort of overall consciousness and approach by our local party committees and administrative leadership have been important factors in the successful development of our work over the years." [passage omitted]

Western population experts recognize that poverty produces population, and in China the widely used expression is "the poorer the people the more the births." The Chengde leadership firmly believes that reliance on the superiority of socialism and widespread education can definitely change attitudes and practices concerning births, and then get people out of poverty through family planning. They have founded the development of their population and family planning work precisely in accordance with this view. They have indeed placed widespread education at the forefront, creating a strong momentum and atmosphere.

When you enter the borders of the Chengde region, you can see from time to time posters and placards proclaiming population control and family planning. Wired broadcasting is installed in over 90 percent of the rural households in the region, and the masses hear daily through loudspeakers the advantages of family planning. Party education departments throughout the region now require that all curricula include a population course in their content. Since 1991, courses in population theory and national conditions have been common. Since 1987,

Xinglong County has had population education in classes above the fifth year level of elementary school. In addition, every village and town in the region has established comprehensive population education schools, which at regular intervals train village cadres and women of child-bearing age as small group leaders. In addition to systematic studies of population theory, family planning policies and programs, and the advantages of family planning, they learn of programs and methods aimed at each stage of family planning work and existing problems. After these people return to their villages, through study activities in small groups of women of child-bearing age, it is then implemented among every such couple.

As for widespread education, Bao Dechang [7637 1795 2490], Chairman of the Pingquan County Family Planning Commission, speaking from considerable experience has stated that: "In developing family planning work, we are dealing with huge masses of people, and widespread education is essential to creating momentum. But every problem of the masses of child-bearing age is a specific one. If we are to resolve these problems, we can only suit the remedy to the case, proceed according to actual circumstances, and use different methods to deal with different problems." In its work of broad education, through continual summarizing, they have instituted a system called the "Five Visits." (These are: a visit to disseminate the party's family planning policies; a visit to deliver information on attaining prosperity; a visit to publicize good people and good events; a visit to publicize the advantages of family planning and provide information on contraception and birth control; and a visit to allay worries and resolve difficulties.) Chengde's party committee and administrative officials are promoting Pingquan's methods throughout the region, to raise the broad results of family planning efforts here to a higher level.

In the Chengde region, competition has become an important form of their broad educational work in population and family planning. This activity has been carried out in each county annually since 1986. Prior to the contests, small study groups are organized to study population policies and the facts of family planning. On this foundation, contests are held at the village and township levels to choose those who will later compete in the finals. From the masses of contestants, there have emerged a considerable number of people who can answer 100 questions, even 1000 questions correctly. There are so many people whose knowledge of population and family planning policies is so detailed, and their knowledge of national, regional, county, and township characteristics is so clear, that it leaves many family planning cadres breathless.

An even more common form of spreading the word is, in every village, the fulltime village head and the leader of the small group dealing with women of child-bearing age to make regular calls at these women's homes. They talk with these women one-on-one, educating them in their

homes through casual conversations. They subtly influence those who are ignorant or unconvinced, by becoming familiar with their feelings, understanding their thinking, knowing their needs, and later help them work out their problems.

Some people describe Chengde's family planning educational work as "shouting into the air (loudspeaker broadcasts), running on the ground (public buses), posting on walls (poster slogans), and mass meaning (population, economics)." In brief, deeply penetrate public feeling. This is precisely because there is a momentum and atmosphere for population control and economic development, which has created a favorable public opinion environment and atmosphere for implementation of basic national policies. It has obviously helped to improve the smaller environment of peasant family life and transformed people's thinking, and built a reliable foundation for carrying out family planning. Li Pengtu [2621 7720 0956], head of the local party propaganda department, evaluated the region's family planning propaganda work in this way: "We not only provide knowledge, 'the first task under heaven,' we are trailblazers, guiding the entire region in a new surge of publicizing education and development." [passage omitted]

Chengde's leadership at all levels knows very well that controlling the numbers of our population and raising the quality of the population is a basic national policy, and a systematic process. To do this work well demands a complete set of policies, with compatible measures, with all concerned departments working together, carrying out comprehensive operations.

Since the beginning of 1984, when local party committees and administrative workers initiated their work throughout the region, they have always bundled their economic quotas with their population quotas, simultaneously arranging, simultaneously checking, simultaneously comparing and assessing them. At the same time they have bundled together party and government at all levels, responsible leadership, and other leading office personnel, with everyone sharing whether the planning work is done well or poorly, sharing honors and shame, rewards and punishments, with each keeping his own accounts.

Chengde lies in a heavily mountainous area, one in which minority peoples reside in compact communities, so policy allows each peasant to have two children. In order to closely and seriously control population growth, regional stipulations are that the village and unit must have done a good job of the previous year's unplanned birth work, before planning second births.

When relevant departments at all levels of government draw up rules and regulations, they all start out from the standpoint of what is good for developing family planning. In such matters as labor personnel departments allocating and inviting applications for jobs, when family planning cadres apply for jobs, etc., there are always expressly provided rules and regulations. Departments

which oversee businesses stipulate that should a particular company violate family planning policies, not only will there be mandatory education, the company's license to do business will be taken back. Departments which provide assistance for the poor have made the development of family planning among these people an important part of their work, and have made the status of population policies implementation an important part of their assessment of how well assistance to the poor has been accomplished. In their anti-poverty work, they give to those poor families which have conscientiously practiced birth control, especially single child households, or those in which the woman has had a tubal ligation, such preferential consideration and arrangements as anti-poverty grants and materials, support in the form of production materials, etc., which can bring them to prosperity, so that these families enjoy societal welfare and relief. As for those poor families which have not decided to attain the necessities of life and meet the two-child requirement, they must "first cast off poverty, then have children; not casting off poverty is not arranging birthing objectives." Some county regulations and accompanying policies require that families applying to have a second child must have a per capita income which is one-third higher than the average income in their locality; this is to avoid their slipping back into poverty after the second birth. Poor households which do not seriously practice birth control must undergo serious education and choose contraceptive measures before they can receive relief.

Chengde's counties have all adopted positive measures to raise the quality of the region's population, and there has been a noticeable decrease in the cycle of serious hereditary illnesses, such as insanity, feeble-mindedness, and stupidity. The Civil Administration has stipulated that marriage licenses will not be given to close relations. The Health Department insists on pre-marital examinations, and those who fail cannot marry. These measures lowered the rate of infant pre-natal defects from 28.3 percent in 1986 to 10.03 percent in 1990.

To control population control, each county has empowered family planning departments to make other investigations in their allocation of job-changing cards, visas for overseas labor services, social welfare benefits, circulating funds for agricultural use, moving from places of permanent residence, agricultural travel fees, agricultural materials which are in critically short supply, and to give right of first instance in contracting for 10 nurturing and cutting projects on the hills, orchards, and forests. Without the signed approval of village, township, and group family planning managerial personnel, relevant departments will without exception refuse to approve the processing of these.

In order to encourage people to have fewer children, and relieve people of their worries at home, the region and counties have joined their localities' actual circumstances, and adopted measures to establish and perfect a system of social services and safeguards. Starting in 1986, the region's civil administration system built 219

homes for the elderly throughout the region. At the present time, 56 percent of the institutionalized elderly are enjoying the five guarantees. The life of those in the homes is higher than the middle class standard of living for the entire region, making the homes so attractive that some elderly who have children are very envious of the people in the homes. Since 1989, all counties in the region have had safety insurance for children caring for their aging parents and having only one child themselves. This has resulted, on a large scale, of people returning their second child permits, vivid examples of how these can be converted into old age insurance. [passage omitted]

At the beginning of the 1980's, Chengde's family planning efforts also started down the road of tackling rush cases. In a region of high mountains and deep valleys, with a widely dispersed mass of people, even a major strike force thrown into the effort could not handle the needs of every household. As a result, there was too little money and too few facilities for each rush case, making it difficult to satisfy people's desires. Leadership and masses, aware of the facts, determined to strengthen the building of a force which would deal with everyday work, and give this force their fullest support. On the problem of complementing family planning cadres, the leadership of local party committees and administrative units had a strong desire for strong family planning work policies, so where the work was difficult, they required personnel departments in the organizations to choose people who were the cream of the crop, and ordered that family planning departments do likewise.

After 1984, they began to strengthen their building of grass-roots level organizations. Throughout the region, 193 rural townships and villages founded such organizations as family planning committees, set up work stations, technical services stations, and schools for comprehensive population education, with full-time family planning assistants for village and township heads. There are 2,240 villages which have these family planning specialists, and more than 80 percent of these villages have established full-service family planning offices, which can at any time provide such services as pregnancy testing, population education, etc. There are 20,630 residents groups which basically supplement the work of the group leaders among women of child-bearing age.

Leaders at all levels hold these cadres in the greatest respect. Those with family planning responsibilities at the township level receive salaries which are at the top for township level personnel, while specialized cadres at the village level enjoy top salaries for that level. At all levels, wages of family planning cadres are one or two levels higher. Owing to the deployment of grass roots level family planning specialist cadres, there are group guarantees to normalize managerial activities, which cuts down on the incidence of corruption in centralized activities and greatly economizes on expenses. In 1983, expenses for development of centralized activities



reached a peak of 12.05 million yuan, while normal expenses now are only one-fifth what they were then.

In addition to administrative and managerial personnel, Chengde's family planning contingent includes a contingent of technical personnel, which has fully mastered the specialties of educating the masses of couples of child-bearing age in the advantages of family planning, contraception, etc. The region's 7 counties and 193 villages or townships have all built standardized technical services stations, employing 1,026 people of all levels and classifications. On the average, each county station employs 23 people, while each township station employs four technical personnel. They have formed a systematic and complete regional family planning technical services network which has the county technical stations at the center, are linked by the township work stations, and have the village service offices at the base.

Because there are these networks for normal family planning work and technical services, they have implemented guarantees for normalizing family planning. For several years, there has been an annual increase in the number of contraceptive surgical operations performed by the county and township technical services systems, so that in 1991, 98.37 percent of these operations performed throughout the region were done by this system. Eighty percent of the townships performed the "three techniques" within the townships themselves, with only the "four techniques" requiring outside payment, more than 2.6 million yuan annually paid into national contraception. Moreover, while this technical contingent was performing contraceptive surgical operation services, they extensively opened up comprehensive service activities for the masses such as the "five guarantees" of health care for the elderly, health care services for single-child couples, prevention and treatment of women's illnesses, midwifery, and other illnesses not connected to obstetrics. They have used excellent technology and a good service attitude to gain the trust of the masses, and thereby move family planning efforts from being a difficult task to being something easy.

In the course of building a family planning contingent, they gave special attention to building this contingent's thinking and style, opening up widely throughout the region the "three studies and one affection" movement; that is, for leading cadres at all levels to study Jiao Yulu [3542 5940 4389], family planning specialist cadres to study Lei Feng [7191 6912], and technical personnel to study Bai Qiu'en [4101 3061 1869], all with the warmest affection for their family planning work. A spirit of respect emerged among the family planning contingent, a surge of the "three comparisons" comparable to the size of benefits and the depth of service. Family planning cadres at all levels have been working so hard to implement national policies, serving the real needs of the masses, that they have gained the trust of the masses as well as their support. In 1992, when the village of Zhouyingzi, in Shenping County, elected its representative to the county assembly, the director of the village family planning committee, Liu Guifang [0491 2710

5364], was not a candidate. But the election resulted in her receiving the most votes, a typical instance. Throughout the region, there were five planning workers who became provincial model workers, and several tens who became advanced workers above the provincial level. The regional family planning commission gained a Third Class Collective Citation Award in 1988, and after five consecutive years of objective examination received the prestigious "superior unit" designation.

While building and allocating a worker family planning contingent, and a technical corps, they also have a massive contingent of family planning coordinating personnel. In the entire region there are 270 cadres who specialize in coordinating family planning, with each area and county designating five family planning coordinators, villages and towns two each. Throughout the region, every administrative level above the village has set up a coordinating organization, and there is a contact household below that level. At every level coordinators are widely developing the self-educating, self-control, self-service activities of "help the group through the group, educate the group through the group, and control the group through the group." The smooth development of family planning throughout the region has been of important benefit in the effort to cast off poverty and achieve prosperity. [passage omitted]

In many years of family planning practice, Chengde's party and government leaders at all levels have gradually come to recognize and master the objective laws of population production, and have formulated a set of family planning management systems and procedures which are suitable to these laws and the realities of local conditions.

In population and family planning throughout the region, they have implemented a system of control called "four routes, one focus." The "four routes" are, the party affairs route, the government affairs route, the specialist cadre route, and the coordinating committee route. The "one focus," of course, is the couple of child-bearing age.

The party affairs route: local committee—county committee—township or town party committee—village party branch—party member—focus couple.

The government affairs route: administrative offices—county government—township or town government—village committee—village (resident) people's organization head—focus couple.

The specialist cadre route: local family planning committee—county family planning committee—township or town family planning committee—head of the village specialists—head of the couples of child-bearing age small group—focus couple.

The coordinating committee route: local family planning coordinator—county family planning coordinator—town or township family planning coordinator—village coordinating committee—members of the committee, committee personnel—focus couple.

In "four routes, one focus" control, the party affairs route has the goal of implementing the management responsibility system and the party member contact household system. The government affairs route concludes and signs population goals responsibility certificates, and the two together produce examinations, rewards and penalties. The family planning specialist cadres extend rewards and penalties based on the contracts. The coordinating committee route does education and service work among the masses of child-bearing age through committee members and contact households, coordinating the work of administrative and government managerial organizations, jointly furthering the implementation of population policies. All this is of importance to common management and comprehensive control.

In the management of family planning, they have persisted in seeking truth from facts, adhering to the bottom to top, top to bottom principle. To have a first child, the individuals make application—the unit (village) reports to higher authority—township level investigates—implementation is made to the person; to have a second child, the individuals make application—the unit (village) reports to higher authority—there is investigation at the township level—examination and verification at the county level—regional review—examination and approval at the county level—implementation is made to the person. They following the proclamation of Zhang Bang [1728 2831] to accept supervision, and seek permission to have children.

To manage couples of child-bearing age, they have developed the "serve a dragon" management activity. They are carrying out classified management of couples in the 15 to 49 year age group, according to differing age groups and situations. Within these parameters, those in the 15 to 29 year old age group are divided into five classes according to their different situations. One objective is education, chiefly aimed at unmarried women of child-bearing age, focusing on educating them on such matters as population and the national situation, educating them in their youth, prior to their marriages. This is done through at-home interviews and discussions, aimed at their specific situations. The second objective is health care, with the focus group being childless married couples, setting times for them to receive hygiene and health care services, and organizing their basic education in population and family planning and their family's technical support in attaining prosperity. This provides them with a foundation for continually producing, living, and child-bearing. The third objective is solicitude, aimed at couples of child-bearing age who have a child, but have not adopted long-term birth control measures. Regular solicitude is shown for these people, through monthly visits, and prompt assistance in resolving whatever problems they may have, so that they will consciously practice family planning. The fourth objective is observation, aimed at couples who are in their first year of practicing birth control. For these couples, in addition to ongoing education and solicitude, the emphasis is on helping them to cast off their poverty

and attain prosperity, so that by passing their days well it will have a positive effect on other aspects of their working and living. The fifth objective is stability, aimed at those who have practiced birth control for more than a year, without a history of failure. The stress here is on helping them to become more productive in their work, and to enrich their lives, guiding them in paying greater attention to the education and nurturing of their offspring. Through this classified management, breaking down the mass of these couples into groups, complicated management becomes clear-cut and specific, thereby making it easier to grasp the vital points, and accomplish the task. [passage omitted]

In the course of leading the people of the region to cast off poverty and attain prosperity, guiding them to a "comfortable standard of living," the party committees and governments in Chengde have all along twisted two types of production together, having at its core the fact that in mastering the economy we must not forget to control population, and that taking charge of the population serves our economic construction.

Given that much of the populace has a living standard below the poverty line, that the forces of production are at a fairly low level of development, and that a "many children make for many laborers" attitude is still prevalent in the minds of the bulk of the peasants, those developing family planning efforts have paid attention to guiding the masses in seeing the dialectical relationship between the size of the population and how rapidly prosperity is achieved. Through a massive amount of work, they have gotten the peasants excited about becoming more prosperous.

Since 1988, at the same time that they have made use of comprehensive population schools and village comprehensive family planning service offices to instruct the masses on population and family planning, they have been instructing the masses of peasants on urgently needed science and technology. Examples of these are: corn membrane cover technology, paddy soaking technology for raising rice seedlings, high-yield fruit technology, standardized afforestation technology, technology to improve animal husbandry, technology to fatten livestock and poultry rapidly, water-conserving irrigation technology, etc. Because these technologies require little investment, and have obviously high production and yield, they have been warmly welcomed by the masses of the peasants. Not only have they resulted in a heightened interest in learning on the part of couples of child-bearing age, they have attracted a great many others to participate, ranging from young people still in their teens to seniors upwards of 70 or 80 years old.

While allocating these specialized family planning cadres, they gave attention to selecting "capable people," requiring that while they were doing their family planning work among women of child-bearing age, they would also pay attention to merging their family planning work with that of organizing young women to study the technology which will help them cast off poverty and attain prosperity.

For example, in Yangzhang, a village of 50 families in southern Pingquan County, Comrade Xu Shurong [1776 3219 2837] took on the responsibility of heading up a group of women of child-bearing age in 1987, and utilized small group activities to teach everyone the techniques and skills of planting watermelons, peanuts, and wheat; and how to rapidly fatten pigs and raise geese, etc. Every household in the village soon began to earn more, raising the per capita income from not quite 300 yuan in 1987 to over 500 yuan in 1990. The support she received from the masses was so absolute that when the village held its 1991 elections to choose a new committee, she received 699 of 700 votes cast, every one but her own. Through family planning work and the fact of many people having fewer children and improving financially, a greater number of people are gradually coming to realize that the old saying "the more the children, the more blessings," has given way to "the more children, the more burdens," and that the route to rapid prosperity is through having fewer children.

At the same time that the Chengde region is controlling its population increase, it is putting much effort into the work of raising the quality of the population. Throughout the region, it is developing its work of "education relieves poverty" and "science and technology take us to prosperity." They are working hard to foster technical talent in every household; this not only steps up the pace of prosperity, but also conversely furthers helps to control the population increase. An example of this is Weichang, a Manchu and Mongol self-governing county. After years of effort, there now over 60,000 peasants who have received their "green certificate," and they have produced over 160,000 people of technical talent in all categories. The households here not only have people who understand family planning, they also understand science and technology. The masses of child-bearing age are devoting their spirit and energy to expanding common agricultural techniques to build up their family fortunes. Last year, all agricultural projects in the county produced economic benefits amounting to 56.77 million yuan, which meant a 113 yuan per capita increase in income for the county's peasants. At the same time, the county had 3,764 holders of child-bearing licenses who postponed the time when they would have a child or abandoned the idea of a second child altogether.

In the Chengde region, due to the effective efforts to control the numbers of the population and constantly enhance the quality of the population, economic construction has begun to move along at a rapid pace, on a "fast track." The effects of controlling the population and advancing the economy are becoming more obvious every day. In 1992, the total output value for the entire region was 3 billion yuan, 5.6 times again what it was in 1981; the rural per capita income was 462 yuan, 4.6 times again as it was in 1981. Chengde has the slowest average population growth rate of all regions in Hebei, but it had the fastest average economic growth rate among these regions. They have brought about an overall increase in our socialist economy and brought a synchronized per capita increase and coordinated development

to a new position. The regional planning committee has made some calculations; for example, when the pace of average population increase was calculated for the 19 year period from 1954 to 1973, and then compared with the average increase for the 19 years from 1973 to 1991, it was found that during the latter period there were 1,129,600 fewer births. Without this decrease in the birth rate, the region's per capita gross output value would be about 800 yuan, more than 370 yuan lower than the actual current per capita figure, or slightly less than one-third. Speaking with feeling, the region's Deputy Assistant Director Li Jinghua [2621 2529 5478] told reporters that, "We have put a great deal of effort into population control over the past several years, and it's actually like plucking a pipa. If the population is under control, then there is a corresponding increase in economic benefits. This in turn eases the pressure of population on economic development, so that leaders at all levels can put even more effort into controlling the economy. So in the dialectical view, taking charge of the population is the same as taking charge of the economy, and will be of economic benefit."

Li Zhanshu [2698 2069 2579], Assistant Director of the Administrative Office, told reporters that, "Taking charge of the population to further the economy is the obvious developmental route for a poor region like ours, and taking such a route in the past has led to today's results. And in the future we will follow this path to gain even greater victories."

We give Chengde our warmest blessings in its monumental undertaking of controlling population and furthering the economy. May they have more success, and make even more contributions.

### Major Obstacles to Ningxia's Family Planning Work

93CE0522B Yinchuan NINGXIA RIBAO in Chinese  
24 Apr 93 p 1

[Article by Niu Qi (3662 3823), Secretary of the Party Group, Ningxia Hui Autonomous Region Family Planning Commission: "On Factors Restricting Ningxia's Family Planning Work"]

[Excerpt] Although marked successes have been obtained in Ningxia's family planning work, in China it is still considered a backward area in this respect and its population situation is still extremely grim. Data from the fourth national census shows that in the period from 1982 to 1990 Ningxia's population growth rate was 2.25 percent on average per year, 0.77 percentage points higher than the national average and the fastest growth rate of all provinces and autonomous regions in China.

The factors conditioning Ningxia's natural population growth rate so that it remains high are multifaceted, but the two most fundamental factors are:

1. The problems existing in implementing the "Regulations on Family Planning in the Ningxia Hui Autonomous Region" are an important factor restricting the development of Ningxia's family planning work. Promulgation and implementation of the "Regulations" are an important matter in Ningxia's family planning work that indicate that this work has entered the stage of legal control. However, because the leadership in some areas do not take this work seriously and the propaganda work on it is not sufficiently thorough, or because improper methods have been adopted, there has not been formed a climate for this work, and up to now the masses in some mountain areas do not know what the "Regulations" are supposed to do. On the other hand, some family planning cadres and township-village cadres, because they lack knowledge of the law, when dealing with outside-plan births, have a lingering fear that if they do not deal with them carefully they will become the accused in a lawsuit, and therefore they would often rather be "loose" than "tight." At the same time, our legal system is not sound, the building of the strength of basic-level judicial organizations has not been sufficiently perfected, and some townships (towns) do not have courts, so it is very difficult for family planning work to meet the demand for legal control. At present, in actual work the great majority of the bodies that enforce implementation are still the township (town) people's governments and family planning departments, and are not the people's courts. The provisions for punishment stipulated by the "Regulations" do not go beyond the two categories of administrative disciplinary measures and economic fines. However, in actual implementation, some of the masses which are having difficulties find it impossible to bear even the lowest fine, and some wealthy families disdain to worry about paying the highest fine, as some of them say: At worst I have put out several thousand yuan to buy a son. Thus the goals of family planning are not attained. Therefore, in the process of implementing the "Regulations," we must constantly sum up and accumulate experiences that will be advantageous for the smooth development of Ningxia's family planning work.

2. Over-quota births, early marriage and early birth, and short intervals between births are a key factor that restricts and bogs down Ningxia's family planning work. According to statistics, in 1990 in Ningxia the above-quota birth rate was 4.21 percentage points below that of 1989, but the number of above-quota women giving birth was 15.69 percent of the total number of women giving birth, being 17,000 women. According to a survey, some peasants in Ningxia in 1990 gave birth to their 10th child, and some even gave birth to a 12th baby. The situation of early marriage and early birth is extremely serious in poor mountain areas. In Ningxia in 1990, 5,863 females under 19 years old were married for the first time, accounting for 15.18 percent of the total number of first marriages in Ningxia; the birth rate of child-bearing-age women 15 to 19 years old was 28 percent. In addition, the "Regulations" clearly stipulate that if permission for giving birth to a second and third

child is granted, the intervals between births must be four years or more. However, the departments in charge in some localities have gotten the wrong impression about implementing the family planning policy. They think that, provided the "one, two, three" birth policy is upheld, delayed birth and early birth are one and the same. Thus they basically take a laissez-faire attitude toward births within the number of pregnancies. According to incomplete statistics, in Ningxia in 1990 more than 15,000 women gave birth before the prescribed birth interval.

The calculation of numbers is dull, but its result makes people stare tongue-tied: if there are no over-quota births, the birth rate of Ningxia's population will fall 3.7 per-thousand points; if there are no early marriages and early births, this birth rate will fall another 1.59 per-thousand points; and if the interval between a permitted second and third birth is four years or more, this birth rate will fall further by 3.37 per-thousand points. Adding the above three figures means that the birth rate of Ningxia's population will fall a total of 8.66 per-thousand points. Compared with 1990, when the birth rate of Ningxia's population was 24.36 percent, after the "three crucial factors" are strictly controlled, the birth rate will fall to 15.6 percent. Of course, this is only a hypothetical result, but at the same time there is potential in family planning work that can be tapped. [passage omitted]

## FOREIGN TRADE, INVESTMENT

### Article Analyzes Increasing Foreign Direct Investment

93CE0455A Beijing GUOJI MAOYI [INTERTRADE]  
in Chinese No 2, 15 Feb 92 pp 21-23, 32

[Article by Jiang Fan (3068 1581) of MOFERT's General Office: "On the Surging Tide of Foreign Investment"]

[Text] After Deng Xiaoping's speech in the south at the beginning of last year, great numbers of traders came to China from more than 70 countries and regions, including Hong Kong, Macao, Taiwan, the United States, Japan, Korea, Singapore, Canada, Thailand, Australia, and Malaysia. What started as a surge of enthusiasm for investment at the year's outset gradually became a tidal wave by year's end. During the period from January through November, China approved a total of 40,291 foreign investment projects, with agreements for a total of \$45.89 billion in foreign funds. This was 1.5 times that for the same period in 1991. With such increased momentum in foreign firms' investments in China, far surpassing the two great surges of 1984 and 1988, 1992 can truly be called China's "year of foreign commercial investment."

### Surging Foreign Investment

1. The sources of foreign investment are pluralized. In this surging tide of foreign investment, that from Taiwan



has been the most brisk, catapulting Taiwan from its 1991 position of fourth on the list to second in 1992, behind only the Hong Kong-Macao region. Investment from the United States and Japan still displayed a rapid expansion momentum, with the two nations continuing in third and fourth positions. Korean investment in China also developed rapidly, vaulting into fifth place. Along with the establishment of Sino-Korean diplomatic relations, Korean investment here will develop even faster. The rest of the top ten investing nations in order are: Singapore, Canada, Thailand, Australia, and Malaysia. Besides the traditional sources, such countries as Cyprus, Lebanon, Poland, Hungary, and Romania also began investing in China in 1992. In the first half of last year, Asian nations that expanded their scope of investment in China were: Singapore, 5.4 times again that of the same period in 1991; Malaysia, 4.5 times again; and the Philippines, 17 times again. Of the European nations: France, 19 times again; Italy, 12 times again; Australia, 5.4 times again; Canada, four times; the United States and Japan, more than two times again that of 1991.

2. There is a wider area receiving foreign commercial investment. In the 1980's, such investment was concentrated mainly in the coastal open areas of China, with inland areas receiving foreign commercial investment constituting only 7 percent of the national total. Last year, while the coastal open areas continued to draw in foreign direct commercial investment at a rapid pace, there was also a sizeable increase in the work of developing such investment in the inland regions. During the period from January through September, 30 percent of the nation's total of foreign commercial direct investment was in the 14 coastal open cities of Tianjin, Shanghai, Dalian, Qingdao, Ningbo, Guangzhou, Qinghuangdao, Yantai, Lianyungang, Nantong, Wenzhou, Fuzhou, Zhanjiang, and Beihai. At the same time, 11 percent of the national total was in the inland areas. Some areas in the interior and minority-impacted areas also will combine their energy resources and the foreign investment they have attracted. The Inner Mongolian Autonomous Region approved more than 100 foreign-funded enterprises during the January to September period, with agreements for a total of \$88 million in foreign funds. Presently, foreign commercial investment in China is moving from the coastal regions to the interior, from the economically developed Northeast to the border areas of the West, and expanding into many provinces, self-governing regions, and municipalities directly under the central government. Throughout China, we are moving into a situation of simultaneous development for both coastal regions and interior.

3. There is widespread expansion of investment regulations. A major characteristic of foreign direct investment in 1992 was that it went for large projects. For January through November, direct investment agreements called for an average of more than \$11.3 million per project, an increase of more than 23 percent over the same period in 1991. A considerable number of the newly approved

projects included some higher technology, compensating for areas in which China lacks. These are projects which will have a major effect on China's economic development. Some examples: the U.S. Motorola Corporation has invested in a Tianjin project for electronic parts and communications products; the Mitsubishi Corporation of Japan has invested in a Shandong cement project; IBM in the United States has invested in a series of Beijing projects dealing with electronic parts; Japan's Dasailu [1129 6857 3873] Corporation has invested in an acetate fiber project in Xian; the New World Group of Hong Kong has invested in the Pearl River power station project in Guangzhou; the U.S. company Borg-Warner is investing in a Beijing gear project; there is Hong Kong investment in an acrylic fiber project in Fujian, Sino-French joint investment in the Shenlong Automotive Corporation, Ltd., etc. In Shenzhen, foreign commercial investment during the month of October 1992 in excess of \$10 million constituted more than 25 percent of the total, with more than 50 percent of the total in the \$5 - \$10 million range. Obviously, the model of foreign investment China is attracting is moving from low levels to high.

4. New changes are taking place in those industries where there has been foreign commercial investment. During the first half of 1992, of the total volume of foreign funds in contractual agreements, 70.1 percent were classed as industrial; 17.8 percent was in real estate; communication, transportation and post constituted 6 percent; the commercial food and beverage industry made up 1.6 percent; and the forestry and animal husbandry industry, 1.3 percent. Compared to the same period for 1991, the greatest changes were: the proportion for communication, transportation and post climbed from 0.6 percent to 6 percent; real estate's share of the total volume of foreign commercial investment rose from 12.8 percent to 17.8 percent. The proportional relationships between primary, secondary, and tertiary industries is fairly moderate. Foreign commercial investment tends to be concentrated in the electrical power and resource industries; after these, successively, are light industry, electronics, machinery, textiles, and clothing. Advanced technology enterprises and export enterprises constitute 13 percent of the total number of industrial projects. In the main, the industrial arrangement of foreign commercial investment in China seems rational, basically in accord with what is needed for the development of the domestic economy.

5. There are attempts to find new channels and models for attracting foreign commercial investment. Regions which are promising for investment are opening up constantly. To cite some examples: there are test sites for joint Sino-foreign investment stock companies in Shanghai and Shenzhen, and these have been successful; many medium- and large-scale state-run enterprises have been amassing the funds to carry out their technological transformation through the issuance of stock certificates (including foreign funds' B-type stocks), which has invigorated most of these enterprises; by emphasizing land

development, the real estate industry has become a hot spot in the competition for foreign investment; there is a gradual expansion in the number of areas which are promising to set up banks for foreign funds, and in five special economic zones, Shenzhen, Zhuhai, Shantou, Xiamen, and Hainan, foreign banks have set up over 270 offices or branches in China. Presently, Shanghai has established China's first negotiable securities exchange market in conjunction with the Citibank and Bank of America, the Credit Lyonnais Bank and Banque Indosuez, France, the Nippon Kogyo Ginko Bank, Sanwa Bank, and Dai-ichi-Kangyo Bank of Japan, all of which have established Chinese branches. The Sino-foreign jointly invested International Financial Corporation, and the Joint Financial Corporation have set up facilities in Pudong, to extend foreign exchange loans to likely enterprises in Shanghai. Tertiary industries have using foreign investment have begun to pick up momentum, while there have been breakthroughs in the attraction of foreign commercial investment by the commercial and foreign trade areas in Shanghai. For example, the large supermarket, which was jointly constructed in Pudong by the No. 1 General Merchandise Company and the 800 Yaohan International of Japan, will not only operate as a product sales operation, but will also enjoy certain import and export rights. The independently funded foreign trading corporation set up by Japan's Itochu Corporation and Mitsui Trading Firm at the Baoshui area high bridge outside of Pudong is now open for business. Two Japanese foreign trade companies, Marubeni Corporation and Sumitomo Corporation, as well as a group of foreign trade companies from the United States and Saudi Arabia, will likewise open for business.

#### Causes of the Foreign Investment Tide

There are many reasons for the surging tide of foreign investment in 1992.

First, China has a stable government, a stable society, and a booming economy. Comrade Deng Xiaoping's speech in the south symbolized that China's opening to the outside has entered a new period of development.

From the standpoint of opening to the outside world, the initial formation of three large open belts along the coast, along the river, and along the border, has now begun a new pattern, going from the exterior to the interior, all-embracing, overall development. As to administrative levels opening, we have already broken through the original 1980's administrative structure. Not only have there been increases in the policies enjoyed in the special economic zones, the policies which opened up the Baoshui area have been implemented successively in Shanghai's Pudong, Shenzhen, Tianjin, and Dalian. China's multilevel, focused pattern of overall openness has doubtlessly been a major factor in producing foreign commercial direct investment.

Second, the conditions restricting the course of foreign investment have changed. One change in China's new

open structure, which includes the attraction of foreign commercial investment as a strategic concept, has been from a development strategy which was centered on various regions, to a merged strategy, in which industries are primary, with regions as their complement. In 1992, through practicing openness in all aspects, on the basis of continually practicing a bias towards regions, the focus of attracting foreign investment was shifted to industrial development, while also implementing a series of supplementary measures. Examples of this are the policies which are preferential to industries, such as extending the deadline for tax payments to anyone whose investments support key businesses, etc., in order to resolve the problem of merging the tilt toward regional development toward a tilt toward industries. Therefore, the course of foreign investment is even more dependent on the funding and technological content of foreign investment, as well as the degree to which it is linked up with industrial development. This developmental strategy for attracting foreign investment will influence the course of direct foreign commercial investment to a considerable degree.

Third, the trend toward relaxed restrictions on the course of foreign investment has created more flexible forms of investment. In 1992, there was an obvious relaxation in the restrictions on the areas designated for foreign commercial investment, with measures to implement test sites in commerce, finance, travel, and real estate. Along with the continuous advancement of stock market pilot sites, engaging in negotiable securities investment has become a new form of foreign commercial investment in China. Concurrently, there has been further expansion of investment regions and industries.

Fourth, cut down on government oversight in order to increase work efficiency. China has turned over some of the review and approval powers for projects to the provinces, autonomous regions, directly administered cities and 14 open cities along the coast that formerly belonged to the People's Government and relevant agencies of the State Council. While conferring upon Shanghai rights of review and approval over five projects, it also gave to Shanghai the right to raise money in five complementary areas. Several provinces and municipalities have been delegated the power to approve projects funded with foreign investments, and the review and approval mechanisms in some of these provinces and municipalities have implemented "one stop" service, which has greatly decreased time frame for review and approval. This better efficiency rate has attracted still more investors.

Fifth, there has been a sharp increase in people's enthusiasm. Comrade Deng Xiaoping's speech in the south has caused the formerly latent enthusiastic attitude of the people into an improved soft and hard investment environment. The coastal areas which opened up earlier have made progress in resolving the problem of imperfect basic facilities and complementary service facilities, with one after the other expanding the scope of their laws and regulations which relate to foreign investment. Some

inland areas, learning from the successful experiences of the coastal areas, have stepped up the pace at which they utilize foreign investment through their advantageous low-priced land and labor force, abundant resources and improvements in the basic facilities of the industries they have already. An increasing number of enterprises realize that bringing in foreign investment is a shortcut to transforming their machinery, raising their management level, and upgrading their products. One after another they are taking the initiative to seek good relationships, and greater opportunities for foreign investment.

### The Results From Utilizing Foreign Investment

As the United Nations recent publication, "1992 World Investment Report" points out, China has one of the highest foreign investment climates in the world. By the end of November 1992, there were 82,000 projects approved for receipt of foreign commercial direct investment, with agreements for a total of \$98.23 billion in foreign funds. Approximately one-third of those enterprises to be set up with foreign funds are already in operation.

In the overall view, China's foreign investment enterprises have entered their harvest season. Statistics show that beginning in 1987, China's foreign investment enterprises began to break free from conditions of low economic benefits, and changed to normal production operations, having now entered a profitable period. About 70 percent are profitable. During relief efforts to stricken areas in 1991, the Sino-U.S. corporation Smith Kline Pharmaceuticals, Ltd., contributed RMB200 million yuan at one stroke. Zhao Yongming [6392 3057 2494], the assistant general manager of this company, said that all large corporations have this sort of style, but they first had to be profitable. The Smith Kline Corporation, an enterprise jointly funded and managed from Tianjin and the United States, went into operation in 1987, and began to show a profit three years later. The company's sales volume puts it in sixth place among 88 stock enterprises, and its profits put it in the leading position among China's pharmaceutical firms. Last year, 760 foreign investment enterprises received the China Foreign Commercial Investment Enterprise Association's "Double Excellence" commendation for acquiring funding in excess of U.S.\$20 million, with profits of more than \$10 million. This was double the number for 1991. In 1990, China reviewed 500 enterprises in 30 industries, which showed the most profitability; of these, those in the pharmaceutical, electronic, instrumentation, fodder, and foodstuffs industries were the leaders among those enterprises which had received foreign investment.

The benefits from foreign commercial investment enterprises also carry with them considerable comprehensive economic and societal benefits for China, and provide great impetus to the development of the national economy.

1. Foreign commercial investment enterprises actual investment and profits help make up for a lack of construction funding in the interior of the country. Up to the end of November 1992, \$31.64 billion in foreign investment was so used. Foreign commercial investment has become an important source of construction funding the the coastal areas.

2. They have brought in advanced technology and equipment. Since 1987, altogether \$24 billion in electro-mechanical equipment has been imported this way, which is 29 percent of the total of such equipment imported here in the same period. Bringing in advanced technology and equipment has filled in some domestic technological empty spaces, with such products as sedans, elevators, color television kinescopes, switchboards, optical fiber cables, etc., being manufactured by foreign commercial investment enterprises. A large batch of products have risen to the next level, with numerous state-run, collective enterprises being transformed technologically. Such basic facilities as power stations, docks, and public roads, operated with foreign commercial investment, along with a batch of travel service facilities, have furnished the fundamental conditions for development of the travel industry, and greatly improved the investment environment.

3. They have served an exemplary and promotional function in transforming the management system of China's state-run industrial enterprises. China referred to the international ways of doing things, and respected the objective laws of economic development in drafting the necessary laws concerning foreign commercial investment and the government's special methods of handling enterprises. This was to manage enterprises by legal methods while simultaneously using laws and regulations to ensure that enterprises would have the right of self-management and operate in accordance with the market economic mechanism. A sizable number of foreign commercial investment enterprises are jointly funded or operated by foreign businesses and Chinese state-run industrial enterprises. In order to satisfy the needs of foreign investment enterprises, Chinese enterprises are transforming themselves by raising the level of their equipment, technology and management, bringing their products to a new level, lowering their prices, and warmly welcoming domestic and foreign markets. This will greatly raise the enterprises' economic benefits.

4. They are bringing in new managerial styles. Foreign commercial investment enterprises are managing with the commodity economy outlook and methods which are geared to deal with both domestic and overseas markets, implementing rigorous management and competition systems within the enterprises. Through operations and management, managerial personnel in China are learning foreign advanced management thought and experiences, cultivating a group of talent.

5. They have promoted the conversion of our coastal economy in its form and in its orientation to the outside, and the development of China's foreign trade. During the

first 11 months of last year, the nation's foreign commercial investment enterprises exported \$12.7 billion in products, a 65.4 percent increase over the same period in 1991, and 19.1 percent of China's total volume of exports, 5 percentage points higher than the same period the year before. In looking at the export product mix, we see that the product level was higher, a huge majority being finished products. Of these, electro-mechanical products and textile products are still in the leading position, and considerably improving China's export product mix. For the first 11 months of last year, foreign commercial investment enterprises imported \$7.5 billion, a 53.7 percent increase over the same period in 1991, and 18.5 percent of the nation's total volume of imports, which was an increase of 2.4 percentage points over the same period in the previous year. There was an overall surplus in the foreign investment enterprises' foreign exchange balance of payments, with the enterprises' foreign exchange structure and payments to the foreign exchange adjustment center increasing annually.

6. They have increased China's revenue and employment. By yearend 1991, foreign investment enterprises which were in operation had directly hired 2.8 million people. The industrial output value of these enterprises in 1991 was RMB100 billion yuan, approximately 4.4 percent of the nation's industrial output value.

7. Establishing foreign commercial investment enterprises on a large scale has closely integrated the economic relationships of Hong Kong, Macao, Taiwan, and the Chinese mainland. It has also stabilized Hong Kong and Macao and begun to have a positive use in promoting the peaceful unification of both sides of the straits.

Experience shows that the use of foreign investment has furthered the development of China's forces of production, has strengthened the nation's overall strength, raised the people's standard of living, and has become an important segment indispensable to the development of China's national economy.

#### New Approaches To Attracting Foreign Investment

In order to deal with this new tide of foreign commercial investment, we must progressively liberate our thinking, and enthusiastically search more deeply for new methods and measures which differ from the earlier phase before we can welcome foreign traders with completely new approaches.

Simultaneous with the implementation of a coastal economic development strategy, we must step up the economic pace of the interior frontier cities and the provincial capitals, extending to them the same preferential policies enjoyed by the coastal open cities. This will give impetus to accelerating the economic development of the interior.

The preferential policies for attracting foreign commercial investment should be changed from a regional bias to an industrial bias. Put the emphasis on encouraging basic facilities projects which are badly needed for the development of our national economy, in such areas as

agricultural development, energy, transportation, and communications. Allow these projects to expand the scope of their operations, and to add more complementary service projects. Encourage capital intensive and technology intensive projects, promoting the rise of projects in which the products have new technology, high technical content, and add high value. Further, give to projects of this type a preferential tax status, expanding their domestic sales market. Encourage projects which deal with raw materials, spare parts and peripherals, and raise the proportion of foreign investment enterprise products, especially products for export, which are made in China, to increase our net foreign exchange. Lead the foreign businesses use of the joint investment and joint operational model to accelerate the technological transformation of existing enterprises, spurring those enterprises' technological progress and renewal.

We must move forward to expand the scope of foreign commercial investment, enlarging foreign commercial investment test sites in commerce, foreign trade, finance, insurance, and air transport. Encourage foreign commercial investment in land use and tourism. Move forward in relaxing the restrictions on foreign investment in the service industries, in real estate, hotels and restaurants, culture and recreation, food service, news and communications, etc., and look into experimenting with projects in those areas which we have not set foot into before, but are still useful for developing China's economy and building the spirit of civilization.

We must expand new forms for using foreign investment. Summing up on the basis of the experiences of Sino-foreign stock corporations, expand the scope of test sites, and progressively draft and perfect relevant regulations. At present, many large- and medium-sized state-run enterprises, Sino-foreign jointly funded, jointly operated enterprises, are amassing the funds for technological transformation through issuance of B-type stocks overseas. This is also a new effort at attracting foreign commercial investment, and, along with the maturing of China's stock market, this form will occupy an increasingly important position in the attraction of foreign investment.

#### ECONOMIC ZONES

**Li Youwei on Shenzhen Land Abuse, Corruption**  
93CE0532A Shenzhen SHENZHEN TEQU BAO  
in Chinese 23 April 93 pp 1, 2

[Article by Zhang Zhimin (4545 2535 2404): "In Interview With Mainland and Hong Kong Reporters Li Youwei Talks Freely About Utilizing and Giving a New Lease on Life to the Special Zone's Advantages"]

[Text] At the first press conference held at the Fifth Session of the First Municipal People's Congress yesterday afternoon, Mayor Li Youwei answered relevant questions brought up by reporters.



Reporters from 36 mainland and Hong Kong news organizations were present at the news conference.

**A reporter from the Shenzhen radio stations asks:** Shenzhen's present land erosion is extremely serious, creating a series of problems such as inflated vegetable prices. Does the municipal government have determined and feasible means to solve this problem?

**Li Youwei:** This problem is quite acute. In Bao'an and Longgang districts usurping land and usurping and wantonly destroying cultivated land is serious. The municipal government already is aware of this problem and is taking action to solve it. If Shenzhen is to become an international city, we must have a good plan to make full use of land development. The municipal government is now studying a decision for the top grade land market to resolutely provide accommodations. We must carry out the five unifications: unified planning, unified requisitioning, unified development, unified selling, and unified administration. These five aspects all should be controlled by the government. The new plan for Bao'an and Longgang districts is about to go into effect. All construction must be carried out in accordance with the new plan and the government is preparing to gather and requisition all mountainous, hilly, or uncultivated land that has not been requisitioned, and it will ensure that ample cropland remains. Relevant departments also are drawing up a draft law to protect land resources and preparing it to be discussed first by the municipal government and then by the municipal people's congress. After it becomes law, whoever again usurps land will be punished in accordance with the law. While developing land, we also must do a good job of environmental protection, especially protecting water resources. Whoever wantonly develops a water resource protection area will be resolutely punished without the slightest equivocation. I believe that, with the joint effort of this session of the municipal government and district and town governments, we can do a good job of solving this problem.

**A CHINA NEWS AGENCY reporter asks:** Quite a few people have indicated that administering the special zone is extremely difficult now. After the new administration takes office, what measures will it take to remedy the difficulty of administering the special zone?

**Li Youwei:** A great number of things have caused this problem and keep it in existence. The main cause is that there are complicated contradictions in converting from a planned economy system to a market economy system. The municipal government is striving to closely combine the conversion of government functions with the conversion of enterprise operating mechanisms to truly operate by market economy rules. To solve the problem of administrative simplification and delegation downward of authority and difficulty in administering, we must first improve our understanding of the market economy and unify our thinking. The real mainstay in the functioning of the economy is the enterprise. The market economy mainly uses the market to allocate resources

and allows enterprises to act independently and to take the initiative in going to the market and participating in fair market competition. The government only provides services and legal assurances to create the circumstances and an environment of fair competition. Former governments' micromanaged examination and approval authority must all be delegated back to enterprises. To summarize this issue, the government cultivates the market, the market frees the government, the government frees enterprises, and enterprises free productive forces. So, we must truly delegate authority to the grass roots, delegate authority to the market, and delegate authority to enterprises. We now have quite a few departments and quite a few fields that are adopting measures for delegation of authority. It is something of an improvement and somewhat more efficient than before. Certainly, this is just a good start. There are some issues that have not been thoroughly enough resolved and there are some reforms that still are not complete enough. This is a rather complicated issue, first because there still are traditional concepts and secondly because it involves authority and some people often look at it as readjusting their individual interests or the interest of their small group. We still must continue to work arduously and meticulously. In addition, we must simplify organization so that the municipal government organization that is set up can adapt to market economy demands. Government functions must convert from being primarily microcontrol to being primarily macrocontrol, from vertical and horizontal to dispersed relationships, from conducting a department ownership system to governing society, from examination and approval being primary to the market being primary, and from administrative methods being primary to legal system methods being primary. We are concentrating our efforts on doing these tasks well, and little by little we are succeeding.

**This paper's reporter asks:** You were formerly chairman of the standing committee of the municipal people's congress with government oversight. Now you are mayor. What do you think that the government should do to better accept the supervision of the municipal people's congress?

**Li Youwei laughingly answers:** I was formerly chairman of the standing committee of the municipal people's congress in a position to oversee the government. Now I am mayor in a position to be supervised. I could say that it is a 180 degree turn. If the government is to better accept the supervision of the municipal people's congress, it must improve education and unify thinking. First, our government functionaries must take the initiative in accepting the supervision of the people's congress so that the people's congress can be at ease and have a free hand in supervising. There are these specific points: First we must accept the legal supervision of the people's congress. We should let the people's congress check on how the municipal government is implementing relevant laws and regulations. Second, we should accept the functional supervision of the people's congress. For

example, if the municipal government work report is amended after discussion by the people's congress and given the effect of law, future municipal governments should accept the people's congress's supervision on how the work report is carried out. As regards the form of supervision, the leaders of the standing committee of the municipal people's congress are invited to participate in regular meetings of the municipal government to facilitate the link up and make it easier for them to understand the working of the municipal government, thereby making supervision easier. At the same time, the municipal government should conscientiously make proposals and reasonable suggestions to delegates to the people's congress. After delegates to the people's congress feed back to relevant departments the suggestions that they have heard directly from the people, these departments should conscientiously study and resolve them. In sum, the municipal government should set up the initiative to actively accept the idea of oversight by the people's congress.

**A reporter from Hong Kong's HSING-TAO DAILY asks:** In your work report you brought up the slogan "Utilize Advantages, Give a New Lease on Life to Advantages." So, which advantages does Shenzhen have after all?

**Li Youwei answers:** Although the form and the circumstances have changed, Shenzhen still has advantages. These are mainly in the following aspects: First, people's market concepts are relatively stronger. That is to say that people's psychological predisposition toward reform, including their understanding of competition, their understanding of equality, their understanding of performance, and their understanding of information, is stronger. Second, there is the advantage of talent. Shenzhen has a large concentration of people with outstanding talents and we have trained a group of entrepreneurs that can adapt to the domestic and the foreign market. Third, Shenzhen also has a systemic advantage. We have conducted more than ten years of market oriented reforms, converting from the planned economy system to the market economy system. This cannot be accomplished in one or two years. It requires a process, and we have had 12 years to form a series of market systems, but some places on the mainland are just beginning. Fourth, there is the advantage of drawing in the foreign and linking with the mainland. Shenzhen presently has more than 6,000 enterprises with foreign investors and more than 4,000 enterprises linked to the mainland. Shenzhen is a hub linking the domestic with the foreign market. The number of mainland enterprises coming to Shenzhen to invest is growing by leaps and bounds and foreign firms also look favorably on Shenzhen. This year's investment trends are even better than last year's. Fifth is the advantage of tertiary (service) industries. Shenzhen's present proportion of primary, secondary, and tertiary industries is 4:50:46. Tertiary industry is developing very fast, its share is the highest in the country. Sixth is the information advantage. This place is the closest to the international market and is gradually becoming an information exchange center.

Seventh, we still have a substantial advantage in policy. For example, we have a bonded area and a free market for capital goods, and Yantian port will become a free port. Very few places in the mainland have this kind of policy. Eighth is the advantage of location. Shenzhen is very close to Hong Kong, which means that it is very close to the international market. Shenzhen and Hong Kong are located right where the North American market, the West European market, and Asia-Pacific regional economic center link up, a special geographic position and a very good location. We must be fully aware of these advantages and continue to utilize them and give new advantages a new lease on life.

**A SHENZHEN SHANGBAO reporter asks:** What measures is this administration prepared to adopt to thoroughly solve Shenzhen's traffic problems?

**Li Youwei answers:** The municipal government is adopting these measures. First, we will accelerate road construction. More than 600 kilometers of highways connecting with the outside, the majority of them high-speed highways, are planned to be completed within three to five years. One hundred kilometers of highways, including a high-speed trunk in the city center and an eight-lane, high-speed beltway, will be completed in the special zone in three years. In the Luohu subdistrict, a 13 kilometer elevated railroad will be completed in about three years. Plans are being speeded up to construct a land railroad and a light railroad from the airport to Huanggang port and from Shekou to Luohu. This year we will open the double-line Meilin juncture and the Nantou and the Buji double-line junctures will be upgraded to improve transportation capabilities. Second, we will enhance and improve management of the road going to and from the port. Customs has already adopted measures so that it essentially will not be clogged with vehicles. They will establish modern traffic direction and control systems to appropriately limit increases in the volume of traffic.

**A SHENZHEN FAZHI BAO reporter asks:** Delegates to this people's congress reacted rather strongly to the fact that the state of social order is not too good. What measures is the municipal government adopting to solve this problem?

**Li Youwei answers:** This issue is of concern to investors, is of concern to citizens, and is of even more concern to the municipal government. We have never relaxed our control of social order. These measures will be taken to solve this problem. We will enhance population control and increase control of rented rooms, high-rise buildings, and the transient population. We will improve the infrastructure. On the one hand, we will enhance the development of the public security force and improve the quality of the public security law enforcement force, and on the other hand, we will build up mass defense and mass order. At the same time, in accordance with the law, we will quickly and strictly attack the criminal element and frequently organize special attack activities. Only if we mobilize the force of the entire society and

combine the professional forces with mass defense and mass order can social order take a turn for the better.

**A Central People's Broadcasting Station reporter asks:** In this report you emphasized an unrelenting anti-corruption struggle. What specific measures does Shenzhen's government cleansing have?

**Li Youwei answers:** Government cleansing is an important task of the city government. We will conscientiously take charge of it because it is an issue that affects whether the people are for or against us and whether or not they support the government. Our measures essentially are simplifying administration and delegating authority. In addition, we should improve education and develop traditional Chinese national virtues. When General Secretary Jiang Zemin took part in the discussions of the Guangdong delegation at the First Session of the Eighth National People's Congress, he spoke 64 words: "Liberate your thinking; seek truth from facts; actively probe; dare to innovate; struggle arduously; press forward in the face of difficulties; emulate foreigners; constantly strive to improve yourselves; be modest and prudent; be neither arrogant nor rash; be of one heart and one mind; take the situation as a whole into consideration; be hardworking and thrifty; be clean, honest, and just; rouse yourself to vigorous efforts to make the country prosperous; and selflessly contribute." These 64 words summarize traditional Chinese virtues, culture, and style and features. We must make a great effort to develop them and we must advocate a spirit of rousing ourselves to vigorous efforts to make the country prosperous and selflessly contributing. In engaging in the market economy, we should oppose individualism and the worship of money and everything revolving around individual interests. Everything revolving around money is incompatible with the goal of serving the people. We also should perfect the supervision system and establish mass supervision, supervision by society, and the supervision of public opinion, and fully utilize the functions of such departments as the discipline and inspection committee, supervision, auditing, and notaries, and we should establish a responsibility system. Cadre rotation is another measure. It is combined with reform of the civil service system to systematize it. Not only those who manage money and manage things should be rotated, but those leadership positions that neither manage money nor things also should be rotated. This year we should study ways to implement the civil service system as well as systematize and legalize the rotation of cadres. At the same time, we should appropriately improve the wages of public servants and the wages of law enforcement personnel, such as public security people especially, should be appropriately raised again. This is beneficial for clean government.

Mayor Li Youwei also answered reporters' questions on Shenzhen Airport and Yantian port construction.

## AGRICULTURE

### Sichuan Aims To Stabilize Cotton Production

93CE0479B Chengdu SICHUAN RIBAO in Chinese  
17 Mar 93 p 1

[Article by staff reporter Xu Yuanliang (6079 0337 0081)]

[Text] On 12 - 13 March the Sichuan provincial government called a province-wide meeting on cotton production. The deputy governor Zhang Zhongwei [1728 0022 0251] expressed the hope that all localities understand the cotton production and marketing situation, and make a serious effort to mobilize the peasants in the cotton-growing areas to be more involved, thereby assuring the stable development of cotton production in Sichuan province this year.

Last year, there was a nationwide slippery slope in cotton production. The total cotton output decreased by 20 percent, and the amount available for purchase was cut 29 percent. Though the cotton production picture in Sichuan was stable, or even showed some increase, the volume available for purchase still dropped 11.6 percent. Moreover, cotton production in Sichuan province has always been inadequate to meet its own needs, and every year it has had to import cotton from other provinces. As a result, it was proposed at the meeting that government and related departments on all levels pay special attention to cotton production that will not let up under any circumstance.

It was also proposed at the meeting this time that the overall plan for cotton production in Sichuan province this year require stabilizing the planted acreage, and depend on technology to improve per unit area yield to increase the total output. In the first place, we must work to have the cotton planted acreage reach 2.3 million mou in the whole province, of which 2 million mou are allocated to the 19 important cotton-producing counties. Second, we must work to implement a plan for increasing cotton production, organizing the large numbers of agricultural technicians to be trained to accept and use technology, broadening use of quality seed, and promoting use of scientific techniques for growing cotton. Third, we must improve on the coordination of cotton production data and resources to assure the timely arrival of production materials such as chemical fertilizers, agricultural chemicals, agricultural film, diesel oil, etc. Fourth, we must put in place capital resources for cotton purchases and avoid empty coffers.

At the meeting, the deputy governor also announced the province's policy on the purchase and marketing of cotton for this year.

1. Continue to implement policy of set prices for orders contracted for purchase and for cotton available for purchase and set aside. The plan for the contracted cotton quota for purchase must be implemented on each level down to the household level, from the supply and

marketing commune and the high-quality cotton processing plant in the high-quality cotton growing areas to the cotton-growing peasant, with whom they sign a contract for purchasing a fixed quota, in an overall operation. The fixed quota of cotton to be purchased is guaranteed by the state, and amounts of cotton in surplus beyond that set in the contract is purchased at guaranteed prices and set aside.

2. To support production, the State Council has determined this year that for each 50 kg of the cotton quota contracted for purchase, the state will release 45 yuan toward interest on loans for purchasing cotton. This money will be available after the contract has been signed. All localities must observe central government regulations to keep released funds available for this purpose.

3. Beginning 1 September this year when the new cotton crop comes on the market, the cash awards granted to encourage sales will be changed. Instead, awards for cotton quotas contracted for purchase will be replaced by awards in kind in form of price difference supplements. That is, for each 50 kg of cotton set aside for purchase, the awards will be chemical fertilizer, diesel fuel, etc., worth a difference of 12 yuan at state-set prices. They will be given directly to the cotton peasants following cotton purchases, in form of value added to value.

4. The provincial treasury will provide a production subsidy of 25 yuan for each 50 kg of the cotton quota in grades I to IV contracted for purchase. No subsidies will be provided for cotton in grades V and below.

5. As for the clause contained in the contract for cotton quota purchase which calls for 15 percent of this cotton to be retained by the county, it should be noted that cotton needed by county cotton textile plants is now supplied by the provincial planning commission which distributes it proportionately among them according to its overall plan. This amount of cotton distributed is based on 10 to 15 percent of the cotton quota contracted for purchase.

Guo Jinlong [6753 6855 7893], member of the standing committee from the provincial committee also spoke at the meeting.

#### **Production Figures of Agricultural Machinery**

93CE0506B Beijing ZHONGGUO NONGJIHUA BAO  
in Chinese 7 Apr 93 p 1

The Ministry of Agriculture Farm Mechanization Department recently published national figures on the farm mechanization development, the original value of farm machinery in China during 1992 reached 120.649 billion yuan, representing an increase of 8.838 billion yuan in investment and a growth rate of 7.9 percent over 1991. The total power of agricultural machinery in 1992 reached 303.377 million kw, marking an increase of 9.1959 million kw and a growth rate of 3.13 percent over 1991. The total revenue for the operation of farm

machinery in 1992 reached 75.662 billion yuan, representing an increase of 9.895 billion yuan and a growth rate of 15.04 percent over 1991. The net income from the operation of farm machinery in 1992 reached 29.88 billion yuan. The net income from farm machinery households was 26.585 billion yuan with the average income for each household reaching 1,645 yuan, marking an increase of 327.33 yuan and a growth rate of 24.8 percent over 1991.

In 1992, the number of large- and medium-sized tractors in China continued to decrease after a continuous drop for a period of four years. The number of such tractors was 758,100, down 26,000 over 1991, of which the number of wheeled tractors was reduced by 35,400. This indicates that the number of large and medium-sized crawler tractors increased. This is the result in implementing the policy to upgrade large- and medium-sized tractors.

As of the end of 1992, the total number of small tractors reached 7.504 million, marking an increase of 201,500 and a growth rate of 2.76 percent over 1991, of which the number of small wheeled tractors totalled 3.4611 million, up 154,500 from the 1991 figure. Seventy seven percent of the additional small tractors in 1992 were small four-wheeled tractors.

#### **Agricultural Banks Ensure Grain, Cotton Purchase Funds**

93CE0506C Beijing NONGMIN RIBAO in Chinese  
22 Apr 93 p 1

[Article by Reporter Li Xu and Correspondent Wang Lingling: "Cotton Loans of 4 Billion Yuan With Interest Prepaid by State Basically Available, Advanced Payments Totalling Seven Billion Yuan For Future Grain Purchases Expected To Be Made by End April—Agricultural Bank Resolutely Implements Decision Made by State Council To Release 'Two Funds'"]

[Text] Our reporter learned from the Agricultural Bank of China on 21 April that in this year's advance payments for the purchase of grain and cotton totaling 11 billion yuan, the four billion yuan cotton loans with paid interest are basically available, and the seven billion yuan advance payments for the purchase of grain will be made by 30 April.

After the State Council adopted a resolution to extend cotton loans with interest prepaid by the state and make advance payments for the purchase of grain this year, the Agricultural Bank of China has swiftly carried out the work of fund-raising and making payments in this connection. With the vigorous support of the Head Office of the People's Bank of China, the Agricultural Bank of China and its branches have overcome difficulties such as the fund-raising craze in the market, serious dispersion of rural capital and deplorable lack of financial resources; and firmly given top priority to raising these "two funds" and making preparations to make payments. They have tried one thousand and one ways to



attract deposits, rejected other loans, and effectively raised 11 billion yuan for this purpose. It is reported that a major cotton and grain growing province would have funds totaling 900 million yuan this year in this connection, while an ordinary province would have approximately 300 million yuan. The state treasury will pay all the interests for the loans.

In order to be ready to make payments for this purpose, ensure the planting areas for grain and cotton and reap a good harvest this year, the Head Office of the Agricultural Bank of China had organized 11 work teams from the beginning of April this year. Led by president of the bank Ma Yongwei and the directors of various bank departments, the work teams visited various major grain and cotton growing regions. They went to the forefront to check how payments were being made to the peasants and help speeding up the process.

Right now, there is not much time left before the 30 April deadline in completing all the payments. The Head Office of the Agricultural Bank of China recently issued another emergency circular, calling on all its branches which had not yet completed all the payments to stop granting other loans so as to ensure that such measure in support of agriculture be fully implemented.

#### **Arable Land Drastically Reduced Again**

93CE0506D Beijing NONGMIN RIBAO in Chinese  
26 Apr 93 p 1

[Article by reporters Fu Zhidi and Li Xiuping: "Arable Land Drastically Reduced in China Again"—Red-Hot Winds From Development Zones Sound Alarm; Per Capita Arable Land Drops to 1.22 Mu]

[Text] Due to the rapid expansion of the development zones and other reasons, China's cultivated areas have once again sharply reduced after remaining basically stable for a period of two years. According to reports from various localities on arable land, the areas under cultivation were reduced by 11.31 million mu in 1992, down 3.76 million mu over 1991, and the area of per-capita arable land has dropped to 1.22 mu.

There are many reasons for the reduction of cultivated lands. For example, the areas of land reclamation dropped, and farmland has been used for nonfarming construction projects well beyond the state plan. However, as seen from the surveys conducted by the State Statistics Bureau in 768 counties in 27 provinces, municipalities and autonomous regions, various development zones and industrial districts occupied as much as 45 percent of the total area of arable land reduced. This constitutes the main reason for the creation of such a situation. It is reported that various development zones and industrial districts in the coastal region in East China exceeds the average figure for the occupation of arable land. In addition, the trend of development zones and industrial districts appropriating more cultivated areas is even more serious in large- and medium-sized cities. According to statistics compiled in some districts

and counties in Beijing, Shanghai, Tianjin and Chengdu, the areas of occupied arable land have reached 115,000 mu. What merits attention is the fact that this trend is still gaining momentum. This year, the development zones and industrial districts in the 768 counties are expected to occupy 660,000 mu of land, an actual increase of 10,000 mu over 1992. From 1993 to 1995, such zones and districts are expected to occupy 1.467 million mu of arable land, accounting for 0.24 percent of China's total area of arable land in 1992.

It is for this reason that the department concerned calls for efforts to strictly control the number and the scale of development zones. It is hoped that various localities will clear up the existing development zones, and subject those disqualified development zones and industrial districts to another procedure of examination and approval. Permits for those that do not have the necessary conditions should be resolutely revoked. Excessively large zones and districts should be instructed to reduce their size. For those which meet the requirements, it is necessary to develop one lot at a time instead of occupying vast land ahead of schedule. At the same time, we must introduce market mechanism for the use and transfer of land as soon as possible. Right now, a large portion of occupied land in China is farmland with stable and high yields, while there is a serious shortage of funds needed to develop arable land and increase soil fertility. Thus, we must encourage paid use of arable land, set prices according to the grade, and establish a fund for arable land. Some of the funds from leasing arable land should be used in developing basic infrastructure of the development zones, while most of the funds should be used in reclaiming wasteland and cultivating abandoned arable land so that the limited funds from arable land will be used in the development of arable land in order to ensure that China will basically have the same acreage of arable land. When conditions permit, various localities should also gradually set up an arable land compensation and protection system so as to maintain long-term stability in developing agriculture.

#### **Grain, Cotton Funds Slow To Reach Provinces**

93CE0506E Beijing NONGMIN RIBAO in Chinese  
27 Apr 93 p 1

[Article by reporter Sun Luwei: "Information Provided by Ministry of Domestic Trading Shows, 'Two Funds' Generally Unavailable in Various Localities, Although Plans Are Set To Release Such Funds"]

[Text] Recently our reporter learned from the Ministry of Domestic Trade that most of this year's funds earmarked to make advance payment for the purchase of cotton are not yet available. The main reason is that plans have been made to make this advance payment, but funds are not yet available. Many provinces are energetically raising funds to solve this problem.

Although Zhejiang Province has decontrolled the price of grain, and signed purchase contracts with the peasants, it needs 250 million yuan to make advance payments. Now it has asked for a bank loan of 200 million yuan. It is ready to make the payments as soon as the loan is granted.

Shandong, Henan, and Hubei have changed advance payments into interest payments based on the actual situation there. The amount of such payments is much smaller, and therefore, it will be much easier for various provinces to solve this problem.

Zhejiang and Shaanxi have made advance payments to major grain growers so that these two provinces can easily centralize the funds and ensure the production of cotton and grain crops.

Guangdong has made advanced payments to major grain growers and the rural areas where grass-roots organizations are sound. This measure is also taken so that it can ensure the production of cotton and grain crops.

Jilin Province has made advance payments of 228 million yuan, accounting for 60 percent of the total amount. One third of the counties in Heilongjiang have not made such advance payments yet. These counties and the agricultural banks in the region are out of funds.

For the purchase of cotton this year, peasants will be given an interest payment of 45 yuan and a 12 yuan price differential for each dan of cotton. All cotton growing peasants in Anhui have received this payment. It is reported that it is not a panacea. Mainly, the local agricultural banks supply the money.

Right now, many local cotton and ramie companies are also working out some measures. Independent loans are being granted in Hubei with interest payments prepaid by the state. The cotton and hemp company signs purchase contracts with cotton growers who apply loans with the agricultural bank on the basis of such contracts. The provincial government has approved this practice in principle. The agricultural bank and the supply and marketing cooperative in Linyi County, Shanxi, have issued a joint circular, calling on all their sub-branches, basic-level cooperatives and cotton procurement centers to earnestly coordinate with each other in helping process the aforementioned loans in support of cotton production. The specific practice is that 60 yuan will be paid for each mu of irrigated land and 30 yuan for each mu of dry land. The payment will be made in two installments. Thirty yuan will be paid for each mu of irrigated land and 20 yuan for each mu of dry land as the first installment mainly in the form of plastic sheeting for agricultural use, pesticides and chemical fertilizers. The second installment will be paid in cash when cotton emerges from the soil and after verification is made.

### Customs To Facilitate Agricultural Imports, Exports 93CE0506F Beijing NONGMIN RIBAO in Chinese 23 Apr 93 p 1

[Article by Tang Yuanjie: "Customs Actively Supports Agriculture"]

[Text] The customhouses in various localities throughout the nation have energetically supported agricultural development, winning widespread acclaim from the local governments and the broad masses.

The General Administration of Customs has regarded its support to agricultural development as a major task. At the beginning of this year, it issued a "Circular Regarding Support to Agricultural Development" to various customhouses in the country, calling on them to give preferential treatments in terms of custom duties to imported supplies used in farming such as chemical fertilizer, pesticide and raw materials needed to manufacture plastic films for farming and water pipes for irrigation. It called on them to simplify the procedure, speed up the inspection and release of imported supplies for farming, support agricultural development which will earn foreign exchange through exports and help townships develop export-oriented economy. The customhouses in various localities establish a system to maintain ties with the local agricultural departments and take the initiative to solicit latter's views. Some of the customhouses have set up support-agriculture teams and gone to the "forefront" to conduct investigation and study in order to understand the actual situation in the development of agriculture. Others set up on-the-spot offices to help solve a large number of acute and difficult problems.

In order to avoid missing the farming season, many customhouses set up special windows to handle customs declaration for the import of supplies for farming. Special customs staff members have been assigned to accept applications. Supplies for farming will be released right away, if all the documents are available. When documents are incomplete, goods can be released first based on a guarantee letter. The applicant may supply the necessary documents later. Fresh and live products will be inspected and released as soon as they arrive.

The customhouses in various localities also make use of their well-informed resources and their good knowledge on the policy and regulations to play their advisory role well in support of agricultural development.

### Nanjing Customs Department Improves Agricultural Trade

93CE0506G Beijing ZHONGGUO NONGJIHUA BAO  
in Chinese 17 Apr 93 p 1

[Article by Special Correspondent Shen Guangshu: "Nanjing Customs Department Adopts Measures in Support of Agriculture"]

[Text] Proceeding from its own actual conditions, the Nanjing customs department has adopted a 10-item policy measure in support of agricultural development.

It will make things easy to import and export agricultural supplies including farm machinery and to provide preferential treatments of tax reduction and tax exemption. Now these measures are already being implemented in going through the procedure of importing and exporting agricultural supplies through the Nanjing Customs.

These measures can be mainly summarized as follows:

All imported or exported supplies that involve agriculture will be handled as something important. Procedures will be simplified and accelerated to check and receive agricultural supplies. Priority will be given to processing imported agricultural supplies so that farm work can be done in the right season. Fresh and live products will be processed as soon as they arrive. Overdue payments and inspection fees will be reduced or exempted within the jurisdiction of the Nanjing customs in order to lighten peasants' burden. Seeds, seedlings, fodder, drugs for the protection of animals and plants, machinery for tillage, crop farming, plant cultivation and processing farm products and other necessary technical equipment needed to process export-oriented farm products will be exempted from import duties and product (value added) tax, based on the certificate of approval from the office in charge of the task of carrying out the open-up policy under the provincial government. Necessary machinery and freight cars imported for the development of agriculture with foreign capital and necessary materials imported to build factories (farms) and reinforce machinery installations will be exempted from import duties and product (value added) tax. Necessary instruments, meters and accessories imported for the development of scientific research projects in agriculture by provincial-level agricultural research institutes or those institutes which are assigned to develop ministerial or provincial-level scientific research projects will be exempted from import duties and product (value added) tax. Materials or semi-finished products and production facilities imported by rural enterprises and state farms to do trade of processing with customers' materials and compensatory trade will be kept in a bonded warehouse and given priority to go through the procedure of being registered and put on record. Materials contributed by overseas Chinese and compatriots from Hong Kong, Macao and Taiwan in direct support of agricultural production will be exempted from import duties and product (value added) tax.

#### State Farms Corporation Profits Show Large Increase

93CE0506H Beijing JINGJI RIBAO in Chinese  
23 Apr 93 p 5

[Article by Yang Shaohua and Zhang Zhong: "Revenue of Land Reclamation Corporation Exceeds One Billion Yuan"]

[Text] The revenue of the China Land Reclamation Corporation exceeded one billion yuan in 1992. It turned over 37.04 million yuan of profits and taxes to the state, up 102.5 percent over 1991.

The China Land Reclamation Corporation is the largest state-owned enterprise. Since last year, it has placed emphasis on the word "reform." It has changed its traditional concept in management into a concept of efficiency; turned pure services into services in business operations; paid attention to reforming the management system; and delegated the power to the various enterprises under its direct administration in improving its internal structure, handling personnel affairs and adjusting wages. In terms of management, the corporation only takes care of contracts, planning and turning over part of profits to the state treasury. Various enterprises under the direct administration of the corporation have further improved the contract system for enterprise management, and become market-oriented in carrying out barter trading with foreign countries and in developing tertiary industry and major construction projects.

The China Land Reclamation Corporation made a breakthrough in developing foreign trade last year. Its total annual value of imports and exports reached US\$88 million; and its profits from imports and exports exceeded US\$15 million, making up over 45 percent of the total profits made by the corporation. It earned US\$10.44 million of foreign exchange, an increase of 160 percent over the previous year.

#### Peasants Worry About Entering Market Economy

93CE0506I Beijing NONGMIN RIBAO in Chinese  
26 Apr 93 p 3

[Article by Liu Degui and Mao Lachun of Changde City Commodity Price Bureau in Hunan Province: "Peasants Have Three Worries in Entering Market Economy"]

[Text] How can we guide peasants to enter market economy? From our recent interview with some peasants in the two counties and three townships in the Dongting Lake area, we understand that right now, peasants were perplexed by some worries and that various departments must create a fine external environment for the development of market economy.

1. Fear about exaggerated income of peasants. Over the past several years, peasants have become richer, thanks to the party's policy to help people become well-to-do. However, only a limited number of peasants are "exceedingly rich." According to statistics compiled in 10 of our villages here, only 13 households are 10,000 yuan families. In average, there is slightly over one such household in each village. The average per capita income of most of the peasants is approximately 500 yuan, while 10 percent of the households have no surplus grain. However, at the end of each year, the leadership at the village and township levels have juggled their reports on economic affairs. The 1990 per capita net income in a certain village was actually 530 yuan, but it was reported

as 735 yuan; that of 1991 net income was actually 750 yuan, but it was reported as 950 yuan; and that of 1992 net income was actually 600 yuan, but it was reported as 850 yuan. This village had filed false reports and inflated the average per capita net income of peasants for a period of three years, totalling 655 yuan—an amount equivalent to the village's annual per capita net income. It was this village where 11 households had no grain crops after paying what they need to pay to the state last year. One deputy secretary of the county CPC committee set up an office in rural areas. On eight occasions, he rejected the report on economic affairs from the village where his office was located. He accepted the ninth report, only after the village authorities increased the per capita income by 200 yuan in the report.

2. Dissatisfaction with the excessive imposition of arbitrary fees on peasants. In one locality, the period of fulfilling the task of doing earth work for a river embankment has been shortened from three to two years. When the task cannot be fulfilled in two years, people have been asked to contribute money or grain in order to finish the work on time. Only for the purpose of finishing a winter water conservancy project, some households need to pay as much as 300 yuan each. Some veterinarian stations make a flat charge of five yuan for each member of the family, and refused to give free immunization shots to fowls and domestic animals. Some insurance departments force families to buy property insurance. Public welfare departments impose arbitrary fees of all description on people and raise funds at random. There are also arbitrary fees for education. People have to pay fees to the township after paying the village. Some of payments are in the name of "loans," but they are actually arbitrary charges. Some of fees are dozens of yuan, while others can be as high as hundreds of yuan per student. Originally educational surcharges are to be raised by each township, but the township imposes arbitrary fees on the students. Last year, a small village near Highway 319 paid all fees totaling 20,550 yuan to the township according to a contract, but it had to ask each person in the village to take out extra 20 yuan out of his or her pocket. An old peasant who signs a contract to farm on a lake-side lot said that he and his wife grew 4.5 mu of lotus seeds and 6.5 mu of paddy rice with a total output value of 2,645 yuan last year. After deducting 1,100 production costs and the average of 120 yuan per mu miscellaneous charges, they only had 225 yuan cash left. A family of nine in a grain-producing district grew crops on 8.9 mu of land on a contractual basis. The family used half of the land to grow grain crops, while growing cotton on the other half. The family had a total income of 3,027 yuan last year. The production costs were only 676 yuan. However, the family's per capita net income was only 580 yuan, even if its sideline income was taken into consideration, because it had to pay a total of 1,230 yuan miscellaneous fees with a per capital share of 307.5 yuan (including the fee for the repair of water conservancy facilities in winter). The head of this family whose miscellaneous payments were about average pointed out that the net income had not

increased much, but expenses were on the rise each year. He paid 100 yuan more in 1991 than what he did in 1990, and 300 yuan more in 1992 than he did in 1991.

3. Worry about sharp increases and decreases of market price. Peasants in rural areas are enduring the labor pains when they first enter the market economy. Some of them said that market economy is a riddle. Peasants want to see and distinguish right from wrong, but they are not allowed to do so. There are many ways to make money, but they themselves are not making money. Others said, peasants grow more and sow more, but they cannot keep up with sharp price increases and decreases on the market. At the beginning of last year, the higher authorities encouraged peasants to grow cotton and grain crops. At the end, peasants encountered difficulties selling their farm products, and even if they did sell the products, what they got were "white IOU slips." Now, even if peasants are able to cash most of the "white IOU slips" with the help of the government, some of the peasants need to pay what they owe with the money they cash in. Peasants work hard for a year, but end up with nothing. One family of four who lives in a comparatively affluent lake-side township signed a contract to do farming on 11.2 mu of land. They suffered a loss in growing water melons in 1992, and the price of the mulberry trees they grew was low. They wanted to grow something better, but the sowing season was already over. They now grow some grain crops and sell them at lower price. The per-capita net income of this family is 474.6 yuan. With great difficulty, they succeed in cashing their "white IOU slips," but their per capita arbitrary miscellaneous fees total 255.5 yuan. It is reported that the area of fish ponds is already more than one third of the arable land in some lake-side townships. Peasants who are trying to turn their paddy field into fish ponds now worry about the continuous price increases of chemical fertilizer, pesticide, seeds and other means of production in farming and that peasants will be unable to meet their expenses with their income after working hard for a whole year. They worry about the revival of the "white IOU slips." They worry that "when they raise fish, the rice sells well; when they grow cotton, the hemp sells well. When they grow paddy rice and cotton, and raise fish at the same time, the market becomes sluggish." The peasants' voices about their terrible sufferings have aroused the attention of the party committees and governments at all levels. Peasants hope that the series of support-agriculture policies, the "provisions" of the State Council and the "emergency circular" of the "two offices" recently issued will be implemented at the grassroots level and that they would be able to draw benefit from the practice of developing agriculture according to market regulations as soon as possible. For this, we suggest the following measures:

1. We must stop the practice of inflating figures and making false reports. Many people over-estimate peasants' affluence, and try to impose arbitrary fees on peasants from all angles. We must realize that peasants have just reached the level of having enough to eat and



wear. We must avoid showing eagerness for quick success and instant benefits and doing things unrealistically. We must rectify the work style of reporting only the good news, not the bad, and of loving to hear about increases, not decreases and to make overestimates.

2. We must develop a supervisory mechanism. The state must enact special laws on expenses which peasants need to pay. Fund retention for miscellaneous expenses and fund raising should be approved by the people's congress at and above the township level, and funds should be raised by the township once a year in an overall manner. It is necessary to regard the assessment of reasonable charges on peasants as an index for rural responsibility to be evaluated along with indices such as net income so that they would be recognized as a part of achievements in one's official career. The village must periodically make public the accounts on the funds retained for official use and the amount of funds raised, while the price, auditing and supervisory departments must keep track of the funds and provide the necessary supervision.

3. We must gradually improve services for the rural market. A pressing matter of the moment is to improve our services in quoting market price, providing information on market supply and demand and technical consultation, and to help peasants raise their abilities in keeping up with market changes and develop agricultural economy when we pursue the policy favoring the superior over the inferior, increase investments in agriculture, and support the development of township enterprises.

### Fairly High Grain Prices Foreseen for 1993

93CE0524B Beijing JINGJI RIBAO in Chinese  
10 May 93 p 6

[Article: "Trend of Grain Prices on the Basis of Three Major Grain Markets, Rice Brisk, Corn Doing Well, Wheat Stable"]

[Text] The authorities in charge of three major wholesale grain markets in China recently forecast the trend of market grain prices for 1993. They concluded that the price of wheat will remain steady, that the price of rice will change from flat to brisk, and the price of corn will continue fairly high.

Zhengzhou Retail Grain Market director Li Jingmou believes that the price of wheat, barley and oats during 1993 will remain as steady as it has been since 1992. During the winter of 1992, 240 million mu of wheat was sown in the country's 11 summer grain growing areas, and another 197 million mu was sown in south China. This was substantially the same amount as in 1992. Thanks to a bumper wheat harvest in China during 1992, a considerable amount of wheat remains in storage today. Judging from the recent buying and selling of Zhengzhou market member units, a large amount of wheat will continue to be offered for sale, but procurement will be slight. The main theme in the wheat market will remain vigorous attempts to spur sales. Zhou Yongmo, deputy director of the Hubei Provincial Retail

Grain Market, believes that 1992 continued to be a recession year for the rice market. He predicts a reduction in the long-grain rice growing area in 1993. This, plus the depression of prices in order to sell more long-grain rice during 1992, will draw down national reserves markedly. On the other hand, the amount of rice needed for the increased number of peasants coming into cities to work and for other purposes will increase. This will sustain a fairly strong demand for regular grades of long-grain rice. Therefore, on the one hand, premium grain rice will continue to sell well, while at the same time the ordinary long-grain rice market will become brisk. The slump in the rice market will come to an end.

Xu Zhongnian, director of the Jilin Retail Corn Market, believes that the 1993 sale price of corn (i.e., the growing area price) will be slightly higher than in 1992. Corn market prices will very likely stabilize at a relative high level, the reason being a reduction in American corn exports to the international market, and an increase in Japan's and South Korea's imports from China, as well as an increase in the amount of China's border trade and the amount of local government corn exports. This will mean less corn will be available at negotiated prices in Jilin's corn markets. For the domestic market as a whole, the demand for corn for livestock feed has increased, and the amount of grain used in light industry and in the pharmaceutical and food products industries has also increased. This, plus the transportation shortage, will mean a high sale price for corn.

### Summer Grain Crop Prospects Good

93CE0524C Beijing JINGJI RIBAO in Chinese  
2 May 93 p 1

[Article by Correspondent Lu Yongjian (7773 3057 1696): "Overall Rural Economic Situation Good; Some Problems Require Close Attention"]

[Text] Xinhuashe Beijing 1 May Information from the State Statistical Bureau says that during this year when China is advancing across the board to a market economy, a fine situation exists in development of both agricultural production and the rural economy. The summer grain crop is growing better than in 1992; the farm crop mix has been adjusted in the direction of high yields, premium quality, and high returns; the livestock industry has maintained steady growth during the first quarter; township and town enterprises have made higher economic returns simultaneous with high speed growth; and peasant cash income is higher than in 1992.

Whether the rural economy can meet needs for the development of a market economy has become a matter about which people are concerned, and the State Statistical Bureau has conducted a statistical analysis of the state of the rural economy during the first quarter.

In farming, the summer grain crop is growing well. In most areas the young wheat is growing better than in 1992. In most places, the percentage of first rate and

second rate seedlings has increased, and the percentage of third rate seedlings is markedly less. Provided there are no major natural disasters during the next two months and wheat fields in all areas receive good late stage care, preliminary forecasts call for a summer grain output close to that of 1992 despite a reduction in the growing area.

The livestock industry is continuing steady growth. Output of pork, beef, and mutton during the first quarter totaled 8.57 million tons, up 6.3 percentage points over the same period in 1992. Furthermore, the livestock industry's reserve strength for development is fairly ample.

For that locomotive that powers rural industrialization and urbanization—the township and town enterprises throughout the country—preliminary forecasts call for a first quarter output value that is more than 60 percent greater than during the same period in 1992. In Jiangsu, Zhejiang, Shandong, Fujian, and Liaoning provinces, the increase will be more than 80 percent greater, and the growth of township and town enterprises in the central and western parts of the country will also accelerate markedly.

Economic development will bring about continued increase in peasant income. During the first quarter, the income of rural residents was approximately 240 yuan per capita. After deduction for price increases, it was approximately 5.4 percentage points higher than during

the same period in 1992. This is mostly attributable to the development of township and town enterprises.

Economic experts believe that some problems meriting attention also exist in the operation of the rural economy. Inputs into agricultural production are less than in former years; the area planted to some farm products has decreased too much; and the gap between one area and another in the development of township and town enterprises has continued to widen. They point to the need for diligent and painstaking implementation across the board of a series of CPC and State Council rural policies to consolidate and develop a fine situation in agriculture and the rural economy. Right now, attention must be given to good field care of the summer grain crop, every effort made to obtain a fine harvest. A policy for high yield, premium quality, high return agriculture must be fully implemented, firm attention given to the extent to which structural readjustments are made. It is necessary to be mindful of the possibility of market fluctuations for some farm products in 1993, actions taken at once to protect the peasants interests. In the development of township and town enterprises, simultaneous with close attention to the speed of development, attention must also be given to optimizing the make-up of such enterprises and improving returns. In addition, continued support in the form of capital and technology must be provided for the development of township and town enterprises in central and western China.

## Article Views Controversial Writer Xu Gang

## Xu Gang's Return to China

93CM0302A Hong Kong MING PAO YUE-KAN [MING PAO MONTHLY] in Chinese No 4, Apr 93 56-57

[Article by Liu Shao-ming: "Spring Dream in Paris"]

[Text] How much help did Xu Gang receive after the 4 June Incident to make it possible that today he can "dream about Paris"?

On February 24, WORLD JOURNAL, a newspaper in North America, carried a news report by Tseng Hui-yen. This report of about a thousand characters did not appear in a prominent place and was entitled, "Poet Liu Gang Returns to the Mainland and Discloses the Route, Getting All His Friends Into Trouble."

According to what Tseng Hui-yen learned from Liu Zaifu, after the 4 June Incident, Xu Gang fled to France via the "underground corridor" which passed through Hong Kong with the help of Fan Zeng and others. Toward the end of July last year, using the excuse that his wife, living in Beijing, had cancer and needed care, he reached an "agreement" with the relevant authorities of the PRC, and returned to his home country.

Tseng Hui-yen quoted Liu Zaifu as saying: "Perhaps because Xu Gang has adopted a cooperative attitude toward the CPC, he has now become the new darling of the Union of Chinese Writers. The next issue of RENMIN WENXUE will feature Xu Gang's report, 'Dream in Paris,' and even a short story written by the journal's chief editor Liu Baiyu, famous for his leftist views, has had to give way. This shows how important the relevant authorities deem Xu Gang to be."

What is the value of this news? Different people, I believe, will have different views on that. For Xu Gang is not an old hand, and people may not have heard of him. According to *Zhongguo Wenxue Da Cidian* [A Comprehensive Dictionary of Chinese Literature], he was born in 1945 and was from Chongming County, Shanghai Municipality. He joined the People's Liberation Army in 1962. His first literary work was a short poem, "In Front of a Martyr's Tomb." In 1970, he went to Beijing University to study literary creation at the Department of Chinese. Among his representative works are the long poems "Lu Xun" (1977) and "A Song of Mao Zedong" (1978).

A reader who does not know what kind of god Xu Gang is may not think much of his experiences after reading the story of his life told above. For there are too many such poets and intellectuals in a country as large as our China.

Liu Zaifu, Baidao and many other exiled writers have all "expressed, with one voice, contempt for—and indignation at—Xu Gang's seeking personal advancement by betraying friends."

Their strong reactions show that although they grew up in the new society, they hold rather traditional views: "Money and wealth are but dung and dirt, while benevolence and righteousness are worth a thousand ounces of gold." How much help did Xu Gang receive from many anonymous heroes after the 4 June Incident to make it possible that he can now "dream about Paris"?

However, being ungrateful, unrighteous and trying to further one's career by betraying friends are nothing really new. Liu Zaifu said: "I have never believed that people could be so bad." It was because Xu Gang had been a good friend of his that he would feel so hurt. We are outsiders. We surely despise Xu for what he did. But, perhaps because I am old, I don't feel surprised.

After the 4 June Incident, Xu Gang had the opportunity to get his wife out, but he did not use it. He got another woman out through the "underground corridor." All this shows that he is totally free from the burden of traditions. He is a member of the new human race.

If he would dream about Paris, then why did he leave the flower capital? Did he feel that he had not done the right thing? Perhaps. In short, the reasons must have been very complicated, so how can other people know the reasons? But, from a common sense perspective, the action must have been related to the feeling about the huge differences: "A worm in Paris, but a dragon in Beijing."

In this respect, it might be helpful for us to look at the "Xu Gang incident" at another angle. Mao Zedong's philosophy is: Take what the enemy discards. This time, RENMIN WENXUE can be said to have applied Mao's philosophy creatively, featuring a work by an author who is an "traitor" in the eyes of the enemy.

Nevertheless, in terms of writing things on a subject like that of "Dream in Paris," there will not be much difference whether the writing is done by a loyalist of a past dynasty or a traitor. It is things such as "the Liang Garden is nice but not a place to stay a long time" that are most likely to be written, isn't it?

What traitors cannot write would only be works such as "A Song of Righteousness" which expresses one's determination to achieve his goals.

Can a tragedy like the Cultural Revolution repeat itself? Probably not. Look at China. Do any of the top leaders have the prestige that Chairman Mao had in those years? Even if Mao Runzhi should come back to life, he would find that today's youths would not follow his orders unquestioningly. "I am bored; don't bother me."

The master is no longer there, so the red boys have each found their own leaders. Even if Xu Gang should want to make some waves in order to curry favor with today's power holders, the necessary objective conditions are absent. He will, I believe, feel so lonesome in the years to

come that he will "dream about Paris" again, providing an outlet for his thinking about Paris by dreaming about Paris.

From the standpoint of the CPC leadership, the "Xu Gang" incident produced a hot potato. If the poet was able to successfully return home only by making such kind of "deals," then the exiled intellectuals who have had any ties with the pro-democracy movement would have to continue to live abroad in order to maintain their good reputations. This may not have been what the CPC really wanted.

Xu Gang, for his own sake and for the CPC's sake, should have kept quiet. But, as the author of "A Song of Mao Zedong," it may be very difficult for him to lead a quiet life.

Now I have finally come to understand why Wang Shuo's hooligan literature is in fashion on the mainland.

#### Review of 'Dream in Paris'

93CM0302B Hong Kong KAIFANG [OPEN  
MAGAZINE] in Chinese No 4, 18 Apr 93 101-102

[Article by Fo Su-lan: "Waking Up From a Dream in Paris—A Review of 'Dream in Paris' by Xu Gang"]

[Text] Everyone can come back to China, and those who regret are the weak-minded, said Xu Gang, after returning to Beijing. Xu Gang is happy that he did not stay in Paris, turning into a drunkard or swindler. He will reform and become a new person.

"Paris would first make you lazy, and then turn you into a drunkard. After sobering up, you would strive to become a robber or swindler by overcoming all obstacles."

"Paris makes those who are leading a serious life become even more serious and those who are leading a frivolous life even more frivolous."

"Those Chinese who are exiles in a foreign land will either struggle amidst loneliness or perish amidst loneliness."

#### Depicting Humble Chinese Living in a Dark World

In "Dream in Paris," published in the February 1993 issue of RENMIN WENXUE, Xu Gang describes the city which "even the drunkards find irresistible" as a dark world filled with beggars, drunkards, prostitutes, and evils. The Chinese there are leading a lowly, humble life which is focused only on making money, devoting all their energy to dealing with all kinds of residence-permission documents and tax forms, while suffering from discrimination.

"Paris is very beautiful. There are the Seine, grass, dogs, pigeons, palaces, squares, fountains, chateaux along the Channel, snow on the Alps, cherries, wine, champagne, and brandy. But what have they to do with those things; they don't have the time to enjoy those things!"

The painter in front of Notre Dame de Paris was once a young Red Guard in his early years. He participated in the large-scale guerilla war in Burma, but now is painting portraits on the street. A musician, who left Laoshan of Qingdao and went to Paris via Hong Kong to study vocal music in 1957 has become a T-shirt vendor, because he could not find a good job.

A Hunanese girl and a strong man from northeast China—two self-supporting students—could not separate, after eating one meal of dumplings together, even if they already had husband and wife respectively. The reason was that they could not endure the loneliness and that life was hard.

Speaking in the Shanghai dialect, the Shanghai girl, wishing that she had been born with a straight nose and blue eyes, would tell such lies as those of being Japanese and her husband being a rich French businessman, in order to get money for food and the trip home from people on the street.

A girl who had had an extravagant wedding ceremony before going abroad, found out only after arriving in the foreign land that her husband was a penniless poor man. As soon as she got pregnant, he left her and married a rich girl.

"Why have those Chinese come to France?" The answer that the author has found is: "They are sick; they have taken the wrong medicine."

"Many people have become more patriotic after leaving China."

"What do you mean by French citizenship or U.S. citizenship? I am Chinese, and am a descendent of my Chinese ancestors. I am proud to be a Chinese! said he, whose soul was built upon that piece of yellow land far away which had seen highly developed civilization and great sufferings and upon the spring grass and autumn water on that yellow land."

In the blood vessels of Chinese "flows the Chinese blood." "I would rather die than not be Chinese." "They only think about one thing—China." "Those who have come to Paris, leaving their home in China, and who have tasted the life in a foreign land would soon affirm their Chinese identity, claiming that they are real Chinese."

The romantic flower capital in the eyes of people at large has become an evil city in the eyes of Xu Gang. Such depiction, just like Zhou Li's depiction of New York as a dream-like paradise in *Manhadun de Zhongguo Nuren* [Chinese Women in Manhattan], shows the prejudices against—and extreme views on—the West that Chinese hold.

"Dream in Paris" contains accounts of so many unfortunate things. But, in any large city in the world, there would be filth and evil, but there would also be dragons



and tigers as well. In terms of darkness, New York has even more drug-addicts, criminals, and homeless people than Paris does.

A person who has one foot in Hell will surely not be able to see the scene in paradise. If the author were enjoying a good life in Paris today, the flower capital would surely have become a pleasantly intoxicating place.

#### Who Has Actually Taken the Wrong Medicine?

The life of an immigrant is difficult. This is true not just in the case of Chinese immigrants. Around the world, various people are leaving their respective homelands for various reasons. What they are seeking is a better life.

A person can feel proud of his own race, can choose the political system he prefers, and can have cultural preferences. To emigrate is also a choice. Each individual should be responsible for the choice he has made. If those who have chosen to emigrate do not identify with the society of their choice, then it will be difficult for them to be accepted by the society where they live.

Xu Gang proudly declares: "We can go back to China at any time. Those who regret are the weak-minded." Certainly, those who want to go back can all go back. But this does not mean that those who don't go back are all sick or have taken the wrong medicine.

The author did not go to Paris because he wanted to go there, but he was, at any rate, also one of the exiled Chinese intellectuals who received the "political asylum" and "economic assistance" granted by the French Government after the 4 June pro-democracy movement. How his life in Paris was, whether he has returned to China, and how he views Paris are all matters of his own concern only. Other people should not comment. But, as the author accounts how he, in front of the cafe owner, raised the flag of nationalism and denounced the shameful aggression of China carried out by the British and French troops, stating that "history lives," we feel confused, puzzling over what he is really driving at.

Is the author trying to use nationalism to explain why he returned to China? Or is he trying to use the darkness of Paris to explain his difficult life in the foreign land? Or is he trying to use patriotism to provide a self-deceptive way of getting out of an awkward situation?

If not, the why have the ideals of democracy and freedom that he once held enthusiastically become a "nightmare of blindly imitating the foreigners"?

The author seems to have changed his colors and become a new person, after waking up. He is happy that he did not stay in Paris, turning into a lazy man, and then a drunkard, who, after sobering up, would try to become a robber or swindler by overcoming all obstacles.

#### Further on 'Dream in Paris'

93CM0302C Hong Kong KAIFANG [OPEN MAGAZINE]  
in Chinese No 4, 18 Apr 93 102

[Article by Ang Ch'i: "This Beggar Is Not an Ordinary One"]

[Text] There was once a beggar from the Orient, walking alone on the street in Paris. He was no other than Xu Gang who, now living in Beijing, can "dream about Paris," after having betrayed his friends. This beggar would live on the handouts from France, the KMT, the CPC, the underworld, the business world, his friends, his male patrons and his female patrons. Who says that one should not take handouts? As soon as handouts appear, he would immediately extend his hands.

Don't simply think that "Dream in Paris" is only a soul-selling work written for the purpose of ingratiating with the new master. This work, based on despicable ideas and filled with foul language, shows again Xu Gang's techniques of ingratiating with people and hiding his real intentions. He thinks he is very clever, but anyone who can see will realize that what is involved here is not any brilliant strategy but just the cunningness of a peasant from the island of Chongming and the ruthlessness of a Red Guard.

Are you saying that I have cursed Paris? I have said praises of Charles de Gaulle and Victor Hugo! Are you saying that I despise the French? I have paid tribute to the French police. Are you saying that I am in collusion with the Communists? Ha! One day, in the future, this "Dream of Paris" will be considered a call on my part for the rehabilitation of the 4 June Incident: The poem containing the line "I am not a beggar from the orient" is entitled "Please Give Me a Stone, Paris." The intention was to take a democracy stone from Paris—together with the awakened exiled lion Xu Gang—to China, and "to carefully put the stone at the foot of the reborn Statue of Democracy." Look at the difference between his conduct during the 1989 pro-democracy movement and his conduct now. "I, Xu Gang, will now fight the Communists with all my power," he would say at that time. Beware, my naive friends! As the person who, on June 2, 1989, proposed to catch a few dozens of PLA soldiers to be locked up inside the History Museum and to be killed one by one at half-hour intervals with the bodies being thrown out, so as to take revenge on the government, Xu Gang is not an ordinary person.

Once in Paris, Xu Gang, who had been the commander-in-chief of the Red Guards on the island of Chongming during the Cultural Revolution, still wanted to make some waves, and once considered himself China's Walesa. But soon such dreams were dashed. As a result, we saw a Xu Gang who led an immoral, shameless, hypocritic, duplicitous life in Paris, and see today's Xu Gang who, lying in his Beijing residence, dreams about Paris!

### 'Dream in Paris,' Part I

93CM0302D Hong Kong KAIFANG [OPEN MAGAZINE]  
in Chinese No 4, 18 Apr 93 103-106

[Article by Xu Gang: "Dream in Paris (A Report)"]

[Text] Editor's Note: After returning to Beijing in July last year, Xu Gang, a mainland poet who had been in exile since the 4 June incident, published his newly written report, "Dream in Paris," in the February 1993 issue of RENMIN WENXUE. According to Liu Zaifu, a scholar now living abroad, the relevant authorities of PRC deem the work to be of great importance, and even pushed aside a short story by RENMIN WENXUE'S chief editor Liu Baiyu, who is famous for his leftist views, to make room for Xu's work. The following is the first part of "Dream in Paris."

So many people dream about Paris; Paris is like a dream.

This is an overlapping, intersecting dream, and an extraordinary combination of squares of different colors and of lines in a free, haphazard way. Side by side, the rich and poor, the clean and dirty, and the beautiful and ugly walk conspicuously past the Champs Elysees, past the white church at Montmartre, and past Notre Dame de Paris.

The winter of Paris is too long, with endless rains but little snow. Spring is very short. Just as winter comes as soon as the first leave falls from the Chinese parasol at the street corner, summer comes as soon as peach blossoms show up.

#### Five Drunkards Fighting for a Woman

Only in summer can the sun be seen more often. When there is sunshine, the homeless people become more active.

They come out of the underground—the over 500 subway stations, abandoned subway tunnels, and those nameless lairs. They are unemployed drifters, drunkards, marijuana addicts, skinheads, and artists. It is reported that those homeless people number over 7,000. They have become a burden on Paris, but some say they are part of the scenery of Paris.

People, especially the French, shun those homeless people as if they were a plague. As the number of unemployed people has reached over 3 million amid the economic recession, the homeless people's chances of getting some handouts have become slim. According to some data, immigrants—who have come to France from foreign lands—only account for less than 2 percent of the homeless people. In other words, those drunkards, marijuana addicts, and beggars are mostly Frenchmen.

Some of them, especially the lonely old people, keep quiet all the time, scavenging the few garbage cans in a subway station, with the hope of finding some leftovers. Some others keep talking to themselves, fully demonstrating the oratory gift of the French. Still others would

sit on the benches in the waiting area of a subway station, shouting abuse at every train coming into or leaving the station. They would even unzip and take out that thing to urinate in front of people. When it is hot, in a subway station, there would be a strong repulsive smell which is a mixture of the smell of urine and the smell of low-quality perfume.

When television and newspapers touched upon them in their news coverage and cried: "Paris is no longer the beautiful Paris," President Mitterrand made a shocking remark: "Without the homeless people and the drunkards, one part of the scenery of Paris would be missing. There is no need to be alarmed about their existence."

Mitterrand was humorous and generous. But, surprisingly, the homeless people were not grateful to him. Holding up empty liquor bottles, they shouted: Grandpa Mitterrand, together with your wife, your mistress and your dog as well as the champagne in the cellar, come here and sleep beside us in the subway station!

A middle-aged woman—with short hair and several large pustules—and a man—with an always-glowing face and alcohol-smelling mouth—were partially embracing each other. They moved their campsite from a subway station to the square in front of Notre Dame de Paris on a hot, sunshine-permeating September morning.

It so happened that I went to Boulevard St. Michel to buy some paint by subway. While waiting for the train, I saw five drunkards fighting for a woman. These were a bunch of inebriated people. The only things remaining clear in their consciousness were alcohol and women. On the other hand, a homeless woman who was not yet senile had to depend on a man. The drunkards, although inebriated, still had morality: If there was a bottle of alcohol, they would always take turns in enjoying the alcohol, and no one would be allowed to consume all the alcohol. According to some French friends, on this point, they are very careful in observing the code of brotherhood. However, things would be different with regard to women. Thus, they would fight, while faltering. They seldom hit their targets. In the eyes of the drunkards, the skies must be turning. Those drunkards who should be slightly sober or younger could easily beat their opponents to the ground with a few hits.

The woman was very happy. She picked up a cigarette butt on the ground and started to puff out smoke. She would, from time to time, turn her head around and take a look, to see if there was an outcome. Her fingers holding the cigarette were grayish black. On two nails there were still traces of red nail polish, and the red dots were very small. As the cigarette was about to be finished, she raised her fingers to show that she, too, had used nail polish before.

I watched them from afar. I wanted to see what was happening. Or I felt rather close to them in terms of my state of mind.

That drunkard went away immediately after arriving at the door of Notre Dame de Paris. This bustling area is full of temptations which were irresistible to drunkards. There were bars and cafes everywhere. Under umbrellas, tourists would pick up wine-glasses with their hands in a leisurely manner, and then begin to enjoy famous French wine and coffee, with strong aromas floating around.

He went to look for alcohol.

#### Cursing France in the Square in Front of Notre Dame

She stretched herself once, and, sitting on the cement edge of a garden, scratched her head several times, resulting in a shower of dandruff, scraps of paper and cigarette ashes. Then, she squeezed a pustule on her left cheek with her right hand, and spread the pus, in several layers, on the green fence of the garden just as a painter would do. After squeezing the pus out of the pustule, she picked up a piece of waste paper on the ground, tore a bit from the paper, licked it and covered the pustule with it.

She began to remove the only upper-body clothes on her body. After taking an intense look at the tourists around her, she held up her big breasts with her two hands, and proceeded to shake and kneed them. Then, after saying something, she began to ferret out lice and bugs in her clothes. When she found one, she would bite it, making a noise as if she had been eating something crispy. She did all that in a graceful manner. The French are always graceful.

The way to eliminate lice is largely the same in all populations of human beings.

On the other end of the square in front of Notre Dame de Paris was the police headquarters of Paris. After she had eliminated the last louse or bug, a policeman and policewoman, standing behind her, said politely: "Madame, please put on your clothes."

Both policemen and policewomen of Paris looked neat. Each officer would always carry a pistol, handcuffs, and an electric baton on the hip.

She turned her face toward the policeman, and smiled: "You should first ask me to take a bath, and then we can go to bed. You should know that I haven't taken a bath since a year ago. If only I can have a good bath, everything will be good. Don't you believe that?"

The policeman said in a serious tone: "Madame, I am performing official duties now."

"I understand. I will be waiting for you after you finish your work. I have time, OK?"

The two police officers shrugged almost at the same time, and each stretched out one hand, also almost at the same time: "Please!"

"Where do you ask me to go? Say it, say it! Where do you ask me to go? My husband went away with a little whore. After I brought up my two sons, they now have their own

women; do you understand? They change their women several times each year—the women who, like snakes, would enwrap them. They will never again think about me, their mother. I have been looking for my husband and my children, but I have found nothing. Unemployed and unable to pay the rent, I was evicted. I haven't taken a vacation for three years. Minced goose liver and seafood salad are really nice. Where should I go? Subway? Living there, I got boils all over my body; do you see that? I need sunshine. Like you, I need sunshine. I am French; do you know that? Why cannot I enjoy sunshine for a moment on the land of France? How many foreign refugees have you accepted? Africans, Slavs, Albanians, Jews, and Chinese. Take a look at the map. How large is China? How large is France? Why have so many Chinese come to France? They have houses to live in and bread to eat, and are running restaurants to make money. Why do we have to live in subway stations? And, you police, seeing a rich man's dog, would be anxious to call it 'dear' and then lick its ass. Don't you see? Hypocrisy envelopes France! The Seine is now muddied! The Louvre has also been almost eaten up, and the bellman at Notre Dame de Paris has long been dead! Only sunshine is true. Please go away. I want to lie down and take a sunbath. Perhaps, I will actually take off my pants. It seems that there are a few lice inside my pants. By the way, are there cockroaches in your police headquarters? There were at least 30,000 cockroaches in the house where I once lived. Paris is occupied by cockroaches. It does not matter who occupies Paris. We the French like to surrender anyway. I want to sleep now."

She went to sleep.

She actually went to sleep.

Two young French girls carefully spread out her upper-body clothes to cover her upper body.

The sunshine was nice. After many cold and rainy days, sunshine had finally come to Paris. The French like sunshine and art. Yes, why cannot she enjoy true sunshine?

#### The Causal Relation between Money and Relative Freedom

Obviously, I cannot forget that homeless person in a short time.

You must admit that the things she said were mostly true. If there were lice on her body, then she had to catch them.

How much qualitative difference is there between pistol-holding police officers trying to catch criminals and homeless people trying to catch lice on their own bodies?

When a person owns nothing, his protest will also be straightforward and full of witty remarks. Hypocrisy and politesse are characteristics of high society. Only a drunkard will say: "Let me get drunk one more time, and I am willing to die."

Generally, the French society is rather tolerant. Even the illegal immigrants, having entered France and having committed no crime after the entry, are much less likely to be deported than would be the case in the United States or Germany. This is perhaps one of the reasons why you will see so many Arabs, blacks and Chinese on the streets of Paris. The tolerance of a society tends to be in direct proportion to the degree of prosperity of the society. In France, as the continued economic slump over the four or five years has made the number of unemployed people rise to over 3 million, the issue of immigration has become a subject of discussion in the parties' election campaigns and a real social problem. The slogan put forward by Le Pen, leader of the extreme right of France, is: France belongs to the French; get the immigrants out of France!

Will Le Pen come to power?

It does not matter whether Le Pen will come to power or not. Even those usually non-partisan Frenchmen have begun to focus their attention on the Chinese. They cannot figure out how those Chinese, penniless when arriving at France, can acquire their own take-out restaurants, convenience stores or even a decent Chinese restaurant with a red lantern emblazoned with the god of wealth in three or five years. Although the French, in their heart, loathe the Arabs the most, their actions indicate that they find the Chinese more unfathomable.

To the French, what is the most intolerable is perhaps the fact that the Chinese even refuse to learn French—the noblest language in the world. Apart from a few business terms which are always pronounced wrongly but comprehensibly, they will never speak one more thing in French. They make money off the French, but live within a Chinese community. In other words, a community composed of just one Chinese will still be a small Chinese society: speaking Chinese, eating Chinese food, hanging landscape paintings on the wall, putting up a picture of the Chinese god of wealth on the door, burning Chinese incense, and listening to Chinese songs over the radio—from "Miss Liu" and "A Shining Red Star" to "Sister, Bravely March Forward."

"Why have Chinese come to France?"

Not only are the French asking, but those Chinese are also asking themselves.

The usual answer is: "Sick. We are all sick."

"Taken the wrong medicine!"

The younger ones believe that "France is a free country, without those numerous constraints." Almost all Chinese, when arriving at France, would comment with deep feelings: "France is too beautiful, too free!" But, if you are not a passing tourist but have to stay in Paris, have to rent an apartment, have to earn money, and have to face the various bills that come each month, then you will feel chilled to the bone. The pressures in life are too heavy.

"Freedom" is really an enchanting word. It is not even necessary to mention that there is no absolute freedom in the world. Even relative freedom has, in large part, a mutually causal relation with money.

Certainly, there is an abundance of freedom in France:

You have the freedom to buy real estates and vineyards, if you have the money.

You can travel wherever and whenever you want. It is easy to buy plane and train tickets. But, do you have the money? The Nice coastal area in the south—the world-famous blue-sea coast—is beckoning you there.

You also have the freedom to go to gambling towns, if you wear suits and tie.

France is a world of name-brand goods—name-brand cars, watches, clothes, and shoes. There will be advertising about name-brand goods in every season. All the name-brand goods smile only in front of the rich.

Of course, everyone has the freedom to breathe the air and enjoy the sunshine. But, there are even differences here: If you go to visit Napoleon's palace at Fontainebleau and draw a deep breath, while taking a walk in the woods and on the grass there, the fresh air you enjoy then will be naturally fragrant and moist, and your nose will feel the pleasantness.

Of course, you can enjoy the sunshine in Paris; but the French are crazy about going on vacation in summer, even if they have to mortgage or sell their homes and cars when they come back from their vacations. All this is because they can enjoy true sunshine only on the Mediterranean beaches in the south and the beaches at the small town of Dover close to the English Channel.

**"Those Frenchmen Who Go on Vacation Are Sons of a Bitch"**

Each year, the French would generously leave the sunshine in Paris to the black street sweepers, the Arab fruit vendors, and the Chinese working in Chinese restaurants, when August comes.

Paris becomes deserted. During this season, poor Frenchmen, homeless people, Arabs, blacks, and Chinese are especially friendly toward each other, patting on each other's shoulders, with thumbs up: "You and I should treat each other nicely. Those Frenchmen who go on vacation are sons of a bitch."

On the narrow street where I lived, there was a cafe which also sold lottery tickets and cigarettes. The owner had just gone to the southern beaches by car. There was a hand-written notice on the door: On vacation for one month. That night, three black primary-school students scrawled several lines of words on the window with paint: The bad cafe-owner's car will overturn on the highway or be swept away by Mediterranean storms or fall from Mont Blanc. Your money will be without an owner!



I saw that tall, fat Frenchman with an aquiline nose and blue eyes after he returned from vacation. He was somber-faced for a whole week. And it was a black that he hired temporarily who wiped away those several slogans written in big characters.

I would always enter that cafe to have a cup of sweet-scented, thick coffee on my way to a store to buy my Chinese newspaper.

As I just sat down, the cafe owner—usually arrogant—came to me and said a lot. I only understood one phrase: this street.

An overseas Chinese who once lived in Cambodia and who came to Paris fifteen years ago was at the next table. We would usually nod to each other in the cafe, saying: "Good morning." He hurriedly translated what was said: "This street, the cafe owner said, was very tranquil before, and those living here were all French, and both rich and polite."

"What about now?" I asked.

"Now? Arabs, blacks, and you Chinese. This narrow street is no longer tranquil."

Pointing at things outside the window, I said: "The blacks are sweeping the street, the Arabs are vending fruits, and the Chinese are working. All this in no way keeps you from being a cafe owner. How about that?"

"But, someone has written slogans on the door of my cafe to curse me. The French, you know, do not curse each other."

I told that aquiline-nosed cafe owner that he should report to the police and that I was not interested in discussing the question.

"What are you interested in?"

"History. You should know that over a hundred years ago, China was an even more tranquil country, which was in the orient and far away from Paris. But, a joint British-French force invaded our country, using Western guns and cannons, occupied Beijing, killed our women and children, and burnt the Summer Palace to the ground. There were French soldiers in the joint force. In your national museum, there are still, on display, our national treasures that you looted from the Summer Palace of that time. According to your captions, they are cultural relics that the French kings collected over the generations. Are you interested in listening to all this?" I lighted a cigarette and waited for an answer from the cafe owner.

First, he made a gesture to indicate that there was nothing he could do about that: "What if you had won that war?" He smiled, feeling pleased.

"We were the victims of aggression. We were no match for the foreigners, and lost the war. We had to cede territories and pay indemnities. We feel ashamed of this episode. But, Sir, do you feel that France should be proud of that? By the way, let me tell you an example of a Frenchman denouncing France, that is, the case of Victor Hugel. During that barbaric aggression, only one Frenchman—that is, the writer Victor Hugel—denounced your government. He denounced the aggressors who engaged in killing and burning, describing that episode as a shame to France."

"He has long been dead."

"But, history lives!" I stood up, and left one franc as tip; the cafe owner hurriedly picked up the money. (Originally published in the February 1993 issue of RENMIN WENXUE.)

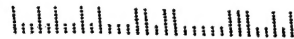
NTIS  
ATTN PROCESS 103

5285 PORT ROYAL RD  
SPRINGFIELD VA

2

BULK RATE  
U.S. POSTAGE  
PAID  
PERMIT NO. 352  
MERRIFIELD, VA.

22161



This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

#### SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.